

General Secretariat of the Council
of the European Communities

THIRTY-SEVENTH REVIEW OF THE COUNCIL'S WORK

1 JANUARY TO 31 DECEMBER 1989



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Introduction

The Community made a confident start to 1989: the agreement reached at the beginning of 1988 had ended several years (almost a decade) of internal conflicts linked directly or indirectly to the question of the financing of Community policies. It was therefore clear that, freed from any major internal tension, the Community could concentrate on its own development in 1989.

In 1989 the objectives of the Single European Act began to be realized: the European Council was able to consider that the movement towards the single market had become 'irreversible', since more than half the necessary legislation had been adopted by the Council. Furthermore, the prospect of economic and monetary union ceased to be purely a theoretical concept: throughout the year those working in the Community at all levels cleared the way towards this essential objective of European integration, and the conclusions of the European Council in Madrid and Strasbourg resulted in a political commitment to hold an intergovernmental conference on this subject before the end of 1990.

Even if there had been no other outstanding events in 1989, this significant change in the climate and outlook would have been enough to give 1989 a very special place in the history of the Community. In addition to this rediscovered confidence, observers both within and outside the Community were unanimous in finding that the Community, having settled its own problems, was asserting itself internationally as a protagonist fully aware of its role and its responsibilities, whether in strengthening its relations with the rest of the industrialized world and in particular the EFTA countries, Japan and the United States, seeking greater cooperation with the Mediterranean countries, solidarity with the less-favoured countries of Asia and Latin America or strengthening its special links with the ACP countries.

Towards the end of the year, some completely different events helped to make 1989 a special year: the upheavals in the neighbouring countries of Central and Eastern Europe which led to the collapse of a geopolitical order which had remained unchanged for more than a generation. At the moment the curtain is slowly rising on a completely new scene, all the aspects and the full potential of which are even now (early 1990) not easy to discern.

With its new dynamism, the Community was clearly in a good position to play a leading role (particularly in the Group of 24) in defining policy towards its neighbours

in Eastern Europe and in the movement of solidarity to provide the aid essential in all fields. At the same time, since all the ideas and schemes for the organization of the continent of Europe were now called into question, the Community began to consider the possible configuration of the new Europe in the longer term and the Community's role in it.

At the end of 1989, discussions on defining new contractual relations with the Community's partners in EFTA were well under way and ideas on future relations with the countries of Central and Eastern Europe were beginning to take shape. The continuation of this delicate process, which forms part of what is now known as the new European architecture, will be one of the Council's main tasks in 1990.

The flexibility and adaptability of the Council and the bodies responsible for preparing its discussions enabled it to deal with the unexpected events of 1989 without slowing down the continuing legislative process which building the Community requires. Each of the Community's many policies has been pursued and developed on the basis of the jointly defined general objectives and this is particularly true for all those which are linked directly or indirectly to the achievement of the single market. On all these issues the Council gave the necessary political impetus and sought the essential compromise solutions in close collaboration with the Commission and the European Parliament. This was the case with Community action in fields as varied as the environment, technical and financial harmonization, the common agricultural policy, research programmes, social policy, transport policy, negotiations for the fourth Lomé Convention, strengthening relations with other trading partners throughout the world, and many other issues.

In its position at the centre of the Community's decision-making process and with the special responsibilities that entails, the Council endeavoured in 1989, as in previous years, to reconcile the legitimate interests and points of view of all the Member States so that the Community could progress towards an ever closer union of the countries and peoples of which it is composed.

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* *

In conclusion, during its 89 meetings in 1989 the Council adopted a total of 410 Regulations, 151 Decisions and 80 Directives.

This Review, like previous editions, has been drawn up by the General Secretariat of the Council and is intended as a work of reference for the public.

Chapter I — Functioning of the institutions

A — Council

1. Spain held the Presidency of the Council during the first half of 1989, and France during the second.

The Presidents of the meetings during the first six months were:

Mr C. Aranzadi	Minister for Industry and Energy
Mr J. Barrionuevo Peña	Minister for Transport, Tourism and Communications
Mr M. Chaves González	Minister for Labour and Social Security
Mr F. Fernández Ordóñez	Minister for Foreign Affairs
Mr J. García Vargas	Minister for Health and Consumer Affairs
Mr E. Múgica Herzog	Minister for Justice
Mr C. Romero Herrera	Minister for Agriculture, Fisheries and Food
Mr J. L. Sáenz Coscolluela	Minister for Public Works and Town Planning
Mr J. Semprún	Minister for Culture
Mr J. Solana Madariaga	Minister for Education and Science
Mr P. Solbes	State Secretary for the European Communities

Mr C. Solchaga Catalán	Minister for Economic Affairs and Finance
Mr L. Yáñez Barnuevo	State Secretary for International Cooperation and Latin America

The Presidents of the meetings during the second six months were:

Mr P. Bérégovoy	Minister of State, Ministry of Economic and Financial Affairs and the Budget
Mr M. Charasse	Minister for Economic Affairs, Finance and the Budget, with responsibility for the Budget
Mrs É. Cresson	Minister for European Affairs
Mr H. Curien	Minister for Research and Technology
Mr M. Delebarre	Minister for Infrastructure, Housing, Transport and the Sea
Mr R. Dumas	Minister of State, Ministry of Foreign Affairs
Mr C. Évin	Minister for Solidarity and for Health and Social Security
Mr R. Fauroux	Minister for Industry and Town and Country Planning
Mr L. Jospin	Minister of State, Ministry for Education, Youth and Sport
Mr B. Lalonde	State Secretary for the Environment (Prime Minister's Office)
Mr J. Mellick	Minister for the Sea (Ministry of Transport and the Sea)
Mr H. Nallet	Minister for Agriculture
Mrs V. Neiertz	State Secretary for Consumer Affairs (attached to the Minister of State, Minister for Economic and Financial Affairs and the Budget)
Mr J. Pelletier	Minister for Cooperation and Development

Mr P. Quilès Minister for Posts, Telecommunications and Space

Mr J.-P. Soisson Minister for Labour, Employment and Vocational Training

The 89 meetings during 1989 were devoted to the following subjects:

- 14 General affairs
- 12 Agriculture
- 10 Internal market
- 8 Economic and financial affairs
- 5 Environment
- 5 Research
- 5 Labour and Social Affairs¹
- 4 Industry
- 4 Fisheries
- 4 Transport
- 3 Education
- 3 Telecommunications
- 2 Budget
- 2 Development cooperation
- 2 Energy
- 2 Consumer protection and information
- 2 Health
- 1 Cultural affairs
- 1 Justice

B — Institutional affairs

Court of Auditors

2. The Council appointed or renewed the terms of office of six members of the Court of Auditors.

¹ Including one devoted solely to social affairs.

Relations with the European Parliament

PETITIONS

3. On 11 April 1989 the Council gave its agreement to a text on the right of petition, which was the subject of an exchange of letters ceremony between the Council, the European Parliament and the Commission on 12 April in Strasbourg. In that exchange of letters, the Presidents of the three institutions acknowledged the right of petition of European citizens and stressed the role of the European Parliament in articulating and upholding those rights.

ELECTIONS TO THE EUROPEAN PARLIAMENT

4. The Council adopted a statement on the occasion of the third election to the European Parliament by direct universal suffrage from 15 to 18 June.

People's Europe

5. The Council reached political agreement on three proposals for Directives on right of residence for students, employed and self-employed persons who have stopped working and non-working persons.

C — Parliamentary affairs

Statement on the programme of the Spanish Presidency

6. In his statement on 17 January 1989 on the Spanish Presidency's programme of activities during its term of office, Mr Francisco Fernández Ordóñez, President-in-Office of the Council, defined its priorities: implementation of the Single Act, development of the other Community policies, external relations and political cooperation.

With regard to the completion of the internal market, the President laid special emphasis on the social aspect, in particular the definition of a European Social Charter of workers' rights. European social policy should also encourage development in the cultural, audiovisual and health fields.

Regarding the People's Europe, the President-in-Office of the Council expressed *inter alia* the intention to strengthen citizens' legal security and to combat all forms of xenophobia and racism.

Turning to external relations, Mr Fernández Ordóñez proposed *inter alia* strengthening relations with the EFTA countries, defining a Community framework for relations with the USSR, intensifying Mediterranean policy and supporting democracy in Latin America through adequate economic aid.

Statement on the programme of the French Presidency

7. On 27 July 1989, Mr Roland Dumas, President-in-Office of the Council, made a statement on the French Presidency's programme of activities. Like the previous Presidency, the French Presidency would endeavour to develop a social Europe: 'Social Europe cannot be dissociated from economic Europe; it is not its by-product'.

At the same time, the French Presidency intended to press ahead with work on economic and monetary union in preparation for the European Council in Strasbourg.

The other main points of the French Presidency's programme are the audiovisual field — the European audiovisual sector conclave would be held in Paris from 30 September to 2 October — the people's Europe, and relations with the EFTA countries and Eastern Europe.

Statement reviewing the Spanish Presidency

8. On 26 July 1989, Mr Pedro Solbes reviewed the Spanish Presidency, and particularly the outcome of the European Council in Madrid. He welcomed the agreement reached on economic and monetary union, but did not conceal continuing difficulties, for instance regarding taxation. Mr Solbes stressed the positive aspects: the conclusions on the social dimension of the internal market, the progress made in the environmental field (CFCs, greenhouse effect), East-West relations.

The President also referred to relations with Latin America and the problem of indebtedness, and negotiations with the ACP countries.

Statement reviewing the French Presidency

9. On 12 December 1989, the President-in-Office of the Council, Mrs Édith Cresson, presented a provisional review (since the six-month term was not yet over) of activities undertaken during the term of office of the French Presidency. She referred in particular to results obtained in respect of the internal market, such as those on public contracts, administrative cooperation on taxation, telecommunications, concentrations of undertakings, etc.

Progress has also been made in the fields of research (research and development framework programme), the environment, the audiovisual sector (the setting up of a European area with Community preference, high-definition television) and the people's Europe (e.g. conventions on visas, the right of asylum).

European Council meetings

10. The outcome of the European Council, held on 26 and 27 June in Madrid under the Presidency of Mr Felipe González, was presented to the European Parliament on 26 July 1989 by Mr Solbes.¹

The conclusions of the European Council in Strasbourg were presented to the European Parliament on 12 December 1989 by the President-in-Office of the Council, Mr Roland Dumas. He stressed that the undertakings on economic and monetary union given in Madrid had been achieved: the first stage of economic and monetary union in July 1990 and an intergovernmental conference by the end of 1990. Secondly, the Community Charter of the Fundamental Social Rights of Workers was adopted by 11 Heads of State or Government. Finally, a further stage in the opening-up of the Community to the rest of the world had been completed with the development of relations with Eastern Europe, which was the subject of a specific statement.

Parliamentary debates, meetings and conferences in which the Council took part

11. The President-in-Office, Mr Fernández Ordóñez, took part in the Ninth EEC-Latin America Interparliamentary Conference in San José in Costa Rica from 30 January to 5 February 1989.

On 15 February 1989 in Strasbourg, the President-in-Office of the Council, Mr Pedro Solbes Mira, State Secretary for the European Communities, took part in the first official meeting between European Parliament and Hungarian Parliament delegations.

Mr Solbes, President-in-Office of the Council, participated on 14 March 1989 in a debate on the security of Western Europe and arms sales (Penders and Ford report). On the same day he also took part in a colloquium on Europe against racism and a meeting between a delegation from the Assembly of the Socialist Federal Republic of Yugoslavia and a European Parliament delegation.

¹ See paragraph 7 of this Review.

On 11 April in Strasbourg, the President-in-Office of the Council, Mr Solbes, addressed a delegation from the Presidium of the Nordic Council and a delegation from the Polish Diet (Sejm) and replied to various questions from members of those delegations.

The President-in-Office of the Council, Mr Fernández Ordóñez, took part in a ceremony on 12 April 1989 on the occasion of an exchange of letters between the European Parliament, the Council and the Commission concerning citizens' petitions to the European Parliament.

Mr Felipe González, President of the European Council, made a statement to the European Parliament on 13 April 1989 concerning the Presidency's intentions for the European Council in Madrid.

12. The President-in-Office of the Council, Mr Michel Charasse, presented to the European Parliament on 12 September 1989 the Community's draft budget for 1990.

Mrs Édith Cresson, President-in-Office of the Council, took part in a debate on the completion of the internal market, on 11 October 1989.

Mr François Mitterrand, President of the European Council, made a statement to the European Parliament on 25 October 1989 concerning Community policy.

The President-in-Office of the Council, Mr Michel Charasse, took part on 24 October 1989 in a debate on the 1990 draft budget.

Mr Pierre Bérégovoy took part on 24 and 25 October in debates on economic and monetary union and taxation.

Mr François Mitterrand, President of the European Council, and Chancellor Kohl reported to the European Parliament on 22 November 1989 on the outcome of the Paris Summit on events in Eastern Europe.

Mr Jean-Pierre Soisson, President-in-Office of the Council, replied to questions put to him by parliamentarians on 21 November 1989 about a social Europe.

Mrs Édith Cresson, President-in-Office of the Council, replied on 21 November 1989 to questions put to her on EP-Council institutional relations.

The President-in-Office of the Council, Mr Thierry de Bauge, took part in a debate on 12 December 1989 on European security and defence.

Mr Michel Charasse, President-in-Office of the Council, took part in a European Parliament discussion on 13 December 1989 on the 1990 budget.

Mr Henri Nallet, President-in-Office of the Council, delivered a statement to the European Parliament on 13 December 1989 reviewing the common agricultural policy under the French Presidency.

Joint ACP-EEC Assembly

13. The President-in-Office of the Council, Mr Yáñez, took part in the meeting of the Joint ACP-EEC Assembly in Bridgetown (Barbados) from 24 to 27 January.

Mr Jacques Pelletier, President-in-Office of the Council, attended the meeting of the Joint ACP-EEC Assembly from 25 to 29 September 1989 in Versailles, France.

Parliamentary questions

14. In 1989 the Council replied to 165 oral questions during Question Time, 31 oral questions with debate, and 109 written questions.

Participation in the proceedings of parliamentary committees

15. The Presidents-in-Office of the Council who participated in European Parliament committee proceedings in 1989 are listed on pp. 15-20.

D — Court of Justice

Court of First Instance

16. By Decisions of 18 July 1989, the Conference of the Representatives of the Governments of the Member States appointed the 12 members and the President of the Court of First Instance with effect from 1 September 1989, in accordance with Article 32d of the ECSC Treaty, Article 168a of the EEC Treaty and Article 140a of the EAEC Treaty and the Council Decision of 24 October 1988¹ establishing that Court.

The following were appointed members:¹

The Hon. Mr Justice Donal P. M. Barrington
Mr Jacques Biancarelli

¹ OJ L 319, 25.11.1988.

² OJ L 220, 29.7.1989.

Spanish presidency (first half of 1989)

Committee	President-in-Office	Date and place
Economic and Monetary Affairs and Industrial Policy	Mr Carlos Solchaga Catalán Minister for Economic Affairs and Finance	3 January Brussels
Environment, Public Health and Consumer Protection	Mr Javier Luis Sáenz Cosculluela Minister for Public Works and Town Planning	4 January Brussels
Institutional Affairs	Mr Pedro Solbes Mira State Secretary for the European Communities	February Madrid
Economic and Monetary Affairs and Industrial Policy	Mr Claudio Aranzadi Minister for Industry and Energy	February
Energy, Research and Technology	Mr Javier Solana Madariaga Minister for Education and Science	February
Transport	Mr José Barrionuevo Peña Minister for Transport, Tourism and Communications	2 February
Fisheries	Mr Carlos Romero Herrera Minister for Agriculture, Fisheries and Food	2 February
Agriculture, Fisheries and Food	Mr Carlos Romero Herrera Minister for Agriculture, Fisheries and Food	2 February
Legal Affairs and Citizens' Rights	Mr Enrique Múgica Minister for Justice	2 February

Committee	President-in-Office	Date and place
Energy, Research and Technology	Mr Claudio Aranzadi Minister for Industry and Energy	1 March
Social Affairs and Employment	Mr Manuel Chaves Gonzáles Minister for Labour and Social Security	20 March Brussels
Environment, Public Health and Consumer Protection	Mr Julián García Vargas Minister for Health and Consumer Affairs	21 March Heidelberg
Rules of Procedure, the Verification of Credentials and Immunities	Mr Virgilio Zapatero Minister for relations with the Cortes	21 and 22 March Valencia
External Economic Relations	Mr Apolonio Ruíz Ligeró State Secretary for Trade	22 March Brussels
Regional Policy and Regional Planning	Mr José Borrell Fontelles State Secretary for Finance	19 April Brussels
Youth, Culture, Education, Information and Sport	Mr Javier Solana Madariaga Minister for Education and Science	19 April Brussels
Development and Cooperation	Mr Luis Yáñez Barnuevo State Secretary for Cooperation	20 April Brussels
Youth, Culture, Education, Information and Sport	Mr Jorge Semprún Minister for Culture	20 April Brussels
Women's Rights	Mrs Matilde Fernández Minister for Social Affairs	25 April Toledo

Committee	President-in-Office	Date and place
Joint ACP-EEC Assembly	Mr Luis Yáñez Barnuevo State Secretary for International Cooperation and Latin America	5 January Bridgetown (Barbados)

French Presidency (second half of 1989)

Committee	President-in-Office	Date and place
Agriculture, Fisheries and Food	Mr Henri Nallet Minister for Agriculture and Forestry	18 September Brussels
Environment, Public Health and Consumer Protection	Mr Brice Lalonde State Secretary attached to the Prime Minister, with responsibility for the Environment	26 September Brussels
Energy, Research and Technology	Mr Hubert Curien Minister for Research and Technology	27 September Brussels
Social Affairs, Employment and the Working Environment	Mr Claude Évin Minister for Solidarity, Health and Social Security	28 September Brussels
Transport and Tourism	Mr Michel Delebarre Minister for Transport and the Sea	9 October Strasbourg
Economic and Monetary Affairs and Industrial Policy	Mr Paul Quilès Minister for Posts, Telecommunications and Space	10 October Strasbourg
Legal Affairs and Citizens' Rights	Mrs Édith Cresson Minister for European Affairs	16 October Brussels
Social Affairs, Employment and the Working Environment	Mr Jean-Pierre Soisson Minister for Labour, Employment and Vocational Training	17 October Brussels
Environment, Public Health and Consumer Protection	Mr Claude Évin (second meeting) Minister for Solidarity and for Health and Social Security	17 October Brussels

Committee	President-in-Office	Date and place
Women's Rights	Mrs Michèle André State Secretary for Women's Rights	November russels
Youth, Culture, Education, Information and Sport	Mr Lionel Jospin Minister of State, Ministry of Education, Youth and Spo	November russels
Transport and Tourism	Mr Olivier Stirn Minister for Tourism (Ministry of Industry and Town and Country Planning)	November russels
Subcommittee on Fisheries	Mr Jacques Mellick Minister for the Sea (Ministry of Transport)	November russels
Environment, Public Health and Consumer Protection	Mrs Veronique Neiertz State Secretary for Consumer Affairs (Ministry of Economic Affairs, Finance and the Budget)	November russels
Economic and Monetary Affairs and Industrial Policy	Mrs Édith Cresson Minister for European Affairs	November russels
Energy, Research and Technology	Mr Hubert Curien (second meeting) Minister for Research and Technology	1 November trasbourg
Development and Cooperation	Mr Jacques Pelletier Minister for Cooperation and Development	7 November russels
Youth, Culture, Education, Information and Sport	Mr Jack Lang (culture and communications aspects) Minister for Culture, Communications, Major Projects and the Bicentenary	7 November russels

Committee	President-in-Office	Date and place
Energy, Research and Technology	Mr Roger Fauroux (energy aspect) Minister for Industry and Town and Country Planning	29 November Brussels
External Economic Relations	Mr Jean-Marie Rausch Minister for Foreign Trade	1 December Brussels
Regional Policy and Regional Planning	Mr Jacques Chèreque Minister for Town and Country Planning (Ministry of Industry and Town and Country Planning)	1 December Brussels

Mr Cornelius Paulus Briët
Mr David Alexander Ogilvy Edward
Mr Rafael García-Valdecasas y Fernández
Mr Christos G. Yéris
Mr Heinrich Kirschner
Mr Koenraad Lenaerts
Mr Antonio Saggio
Mr Romain Schintgen
Mr Bo Vesterdorf
Mr José Luis da Cruz Vilaça.

Of these members, Mr José Luis da Cruz Vilaça was appointed President¹

The President and the members of the Court took the oath before the Court of Justice on 25 September 1989 and at the 1349th meeting of the Council, held on 3 October 1989 in Luxembourg, the President of the Council proceeded to choose by lot the members of the Court whose terms of office would expire at the end of the Court's first three-year period of operation, running from 1 September 1989 to 31 August 1992. The following were chosen:²

Mr José Luis da Cruz Vilaça
Mr Cornelis Paulus Briët
Mr Koenraad Lenaerts
Mr Romain Schintgen
Mr Bo Vesterdorf
Mr Christos G. Yéris.

Cases brought before the Court

17. During 1989 the Council appeared or was a party to proceedings before the Court in 31 cases.

Four of those cases concerning officials were referred to the Court of First Instance by order of the Court of Justice of 15 November 1989.

Five private companies, four Member States and a non-Community country brought proceedings against the Council under Article 173 of the EEC Treaty. The Commission also brought proceedings under the same Article.

In three cases, private companies brought proceedings against the Council and the Commission under Articles 178 and 215 of the EEC Treaty.

¹ OJ L 220, 29.7.1989.

² OJ L 273, 26.10.1989.

The Council intervened in 12 cases relating to requests for a preliminary ruling submitted under Article 177 of the EEC Treaty.

The Council also intervened in a case to support the conclusions put forward by the Commission, party to the dispute (Article 93 of the Rules of Procedure of the Court of Justice).

E — Economic and Social Committee

18. The President-in-Office of the Council, Mr Solbes Mira, presented the Spanish Presidency's programme at the 262nd plenary session of the Economic and Social Committee, held in Brussels on 26 January 1989. That programme included in particular the continuation of proceedings concerning the large internal market, taking account of the social aspects. The average level of social protection in the Community should be raised, without however being brought into line with the most ambitious standards. The President also laid emphasis on the improvement of relations between the Community and the other European countries. He finally undertook to open a discussion on upgrading the role of the Economic and Social Committee.

At the Committee's 264th plenary session on 30 March 1989, Mr Chaves Gonzáles, Spanish Minister for Labour and Social Security and President-in-Office of the Council, reported on the conclusions of the Informal Meeting of Ministers for Labour held in Seville. He sketched the broad outlines of the social policy which the Community should adopt and pointed out that the Ministers had agreed to the development of the Committee's role in accordance with its wishes.

In July 1989 the Council received the Economic and Social Committee's memorandum on upgrading the Committee's role in the run-up to 1992. The Council instructed its subordinate bodies to examine the Memorandum and report back.

19. Mrs Édith Cresson, President-in-Office of the Council, set out the French Presidency's programme at the Committee's 269th plenary session on 27 September 1989. One of that programme's main objectives was full implementation of the Single Act, including economic and monetary union, the social dimension, research and technological development and protecting the environment.

On 18 October 1989, Mr Jean-Pierre Soisson, French Minister for Labour, Employment and Vocational Training and President-in-Office of the Council, reported to the Committee at its 270th plenary session on the progress of proceedings on the Social Charter. In particular, he explained how the text of the Charter had been revised to take account of the Community institutions' opinions and Member States' comments. He confirmed that the memorandum on upgrading the Committee's role was currently being discussed by the Council.

At the Committee's 272nd plenary session on 19 December 1989 Mrs Édith Cresson, President-in-Office of the Council, made a statement on the outcome of the Strasbourg European Council. That statement stressed progress towards economic and monetary union and the events which had occurred in the countries of Central and Eastern Europe. It drew attention to the adoption of the Community Charter of the Fundamental Social Rights of Workers. In order to assist the countries of Central and Eastern Europe, a European Bank for Reconstruction and Development and a European Vocational Training Foundation would be set up. Lastly, the Heads of State or Government took a positive decision on the date for convening the Intergovernmental Conference on the revision of the Treaties, which was made necessary by economic and monetary union. In her opinion the role of the Economic and Social Committee could be clarified at an Intergovernmental Conference held either in conjunction with or following that on economic and monetary union, or else at the conference which would discuss the new institutions.

F — Conventions

Law of the Sea

20. The European Economic Community took part in the seventh session of the Preparatory Commission for the International Sea-Bed Authority and for the International Tribunal for the Law of the Sea which was held in two parts, in Kingston (27 February to 23 March 1989) and New York (14 August to 1 September 1989).

During those proceedings the Community, which was represented in the Plenary and in the four special commissions, made contributions in particular with regard firstly to the aid system which could be set up for developing land-based copper, nickel, cobalt and manganese producer States which might be affected by sea-bed production of those metals and secondly the system of authorizations for sea-bed mining production in the international area.

The seventh session was marked in particular by the continuation of consultations on the fulfilment of the obligations incumbent on registered investors and their certifying States (France, India, Japan and the USSR).

Jurisdiction and the enforcement of judgments in civil and commercial matters

21. When they became members of the Community, the Kingdom of Spain and the Portuguese Republic undertook to accede to the Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters subject to the necessary technical adjustments (Brussels Convention).

In the first half of 1989, the Council bodies prepared for the accession of the Kingdom of Spain and the Portuguese Republic to that Convention. It was decided that advantage would be taken of the opportunity of the accession of Spain and Portugal to align the substantive provisions of the Brussels Convention, except where otherwise dictated by reasons of expediency, on those of the Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters concluded between the EEC and EFTA Member States on 16 September 1988.

On the occasion of the meeting of the Ministers for Justice of the European Community held in San Sebastian on 26 May 1989, the Representatives of the Governments of the Member States signed the Convention on the Accession of the Kingdom of Spain and the Portuguese Republic to the Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters and to the Protocol on its interpretation by the Court of Justice.

The Brussels Convention and the acts relating to it are based on Article 220 of the Treaty of Rome, which provides that 'the Member States shall, so far as is necessary, enter into negotiations with each other with a view to securing for the benefit of their ... nationals the simplification of formalities governing the reciprocal recognition and enforcement of judgments of courts or tribunals and of arbitration awards.'

22. The initial Brussels Convention of 27 September 1968 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters was supplemented by the Protocol of 3 June 1971 which confers powers for interpretation of the Convention on the Court of Justice of the European Communities.

Amendments were made to the Convention in 1978 to take account of the accession of Denmark, Ireland and the United Kingdom and again in 1982 to take account of the accession of Greece.

The Brussels Convention is based on the following fundamental principles:

- (i) it applies only to matters relating to property;
- (ii) it lays down rules of direct jurisdiction, i.e. applying from the beginning of proceedings;
- (iii) the defendant's domicile, and not his nationality, is considered to be the basic rule for determining the jurisdiction of the courts;
- (iv) no derogation from this rule is allowed, unless expressly provided for in the Convention;
- (v) the defendant's rights must have been respected in the State of origin;
- (vi) the grounds for refusing recognition and enforcement are limited, in the interests of ensuring the greatest possible freedom of movement of judgments in the Community;
- (vii) the exequatur procedure is unified and simplified.

The Accession Convention will enter into force when it has been ratified by two Member States, one of which must be Spain or Portugal.

On 11 January 1990 the Kingdom of the Netherlands lodged with the Secretary-General of the Council the instrument of ratification of the Accession Convention.

Chapter II — Internal market

A — Free movement of goods — Customs union — Rules on competition — Industrial policy and approximation of laws — Iron and steel industry

23. The Council made substantial progress in 1989 towards the completion of the single market by the end of 1992 and held nine meetings on questions relating to the internal market.

These endeavours, together with the new procedures introduced by the Single European Act and in particular Article 100a thereof, enabled the Council's proceedings to keep to the timetable set for the areas concerned.

Customs union

COMMON CUSTOMS TARIFF

24. During 1989 the Council adopted three Regulations amending Regulation (EEC) No 2658/87 on the Combined Nomenclature and on the Common Customs Tariff, eight Regulations temporarily suspending autonomous Common Customs Tariff duties, and 27 Regulations opening or increasing Community tariff quotas for certain products, or else amending such Regulations.

HARMONIZATION OF CUSTOMS LEGISLATION

25. On 3 May the Council formally adopted the Regulation amending Regulation (EEC) No 3/84 introducing arrangements for movement within the Community of goods sent from one Member State for temporary use in one or more other Member States.¹

¹ OJ L 130, 12.5.1989.

By introducing rules in favour of small and medium-sized undertakings and craftsmen, as well as private individuals, this Regulation is of major importance for a people's Europe. Its purpose is to extend Regulation No 3/84, while enlarging the scope thereof and simplifying the procedure. The Council adopted a common position on this Regulation at its meeting on 27 February 1989 under the cooperation procedure with the European Parliament.

On 14 June 1989 the Council

- (i) formally adopted the Regulation on the entry in the accounts and terms of payment of the amounts of the import duties or export duties resulting from a customs debt,¹
- (ii) adopted the Regulation on the temporary importation of means of transport,² thus supplementing Community legislation on temporary imports,
- (iii) adopted a common position on the Regulation on the security to be given to ensure payment of a customs debt.

On 19 June 1989 the Council adopted a Regulation amending Regulation (EEC) No 802/68 (rules of origin).²

On 28 July 1989 the Council adopted a Regulation amending Regulation (EEC) No 2763/83 (processing under customs control).³

On 30 October 1989 the Council adopted a Regulation amending Regulation (EEC) No 2096/87 (temporary admission of containers — legal basis).⁴

26. On 23 November 1989 the Council adopted a common position on the abolition of the advice note in Community transit. This topic, which had been under discussion since 1979, comes under the approach set out in the Commission communication dated June 1989 to the Council and the European Parliament on the completion of the internal market, aimed at the introduction of a transitional phase together with measures to simplify controls, with a view to the abolition of all formalities in connection with intra-Community trade and in particular the abolition of fiscal frontiers.

On 15 December 1989 the Council adopted a Regulation modifying with regard to the values expressed in ecus, Regulation (EEC) No 1135/88 concerning the definition of the concept of 'originating products' and methods of administrative cooperation

¹ OJ L 186, 30.6.1989.

² OJ L 174, 22.6.1989.

³ OJ L 225, 3.8.1989.

⁴ OJ L 321, 4.11.1989.

in trade between the customs territory of the Community, Ceuta and Melilla and the Canary Islands.¹

27. On 21 December 1989 the Council adopted a common position on the information provided by the customs authorities of the Member States concerning the classification of goods in the Combined Nomenclature.

On the same day it also:

- (i) adopted a common position with a view to the adoption of a Regulation amending Regulation (EEC) No 1031/88 determining the persons liable for payment of a customs debt;
- (ii) formally adopted the Regulation on the security to be given to ensure payment of a customs debt (see above).²

This Regulation lays down provisions on the security that may be required of persons by whom a customs debt has been, or may be, incurred, in order to ensure payment of that debt.

In particular, it lays down the rules on giving security, forms of security, and the terms for release of the security. It thus supplements the Community's existing set of provisions on customs debt: definition of customs debt, of the person making the customs declaration, of the person liable for the debt and of entry of the debt in the accounts;

- (iii) the Regulation on the elimination of controls performed at the frontiers of Member States in the field of road and inland waterway transport.³

The Regulation forms part of efforts to ensure transition to a frontier-free Europe as smoothly as possible for both administrative authorities and business.

The Regulation does not cover all controls, nor does it provide for their abolition. It is designed above all to ensure that intra-Community road traffic can flow more freely.

The Regulation stipulates that the controls listed in the Annex to it, performed under Community law or national law in road or inland waterway transport between Member States, are no longer to be carried out as frontier controls but merely as part of the normal controls applied throughout a Member State's territory.

¹ OJ L 375, 23.12.1989.

² OJ L 388, 30.12.1989.

³ OJ L 390, 30.12.1989.

INTERNATIONAL CUSTOMS CONVENTIONS

28. On 13 April 1989 the Council adopted a Decision accepting resolution No 46 of the United Nations Economic Commission for Europe on the approval of containers.¹

On 3 May the Council adopted a Decision accepting on behalf of the Community the recommendation of 5 June 1962 of the Customs Cooperation Council concerning the customs treatment of registered baggage carried by rail, as amended on 21 June 1988.²

On 3 May the Council adopted a Decision authorizing the Member States to accept an amendment to the Customs Convention on the ATA carnet for the temporary admission of goods.²

On 19 June the Council adopted a Regulation adopting Decisions Nos 1/89 of the EEC-EFTA Joint Committee (on the single document and on common transit).³

On 18 September the Council adopted a Decision accepting the resolution of the United Nations Economic Commission for Europe concerning technical assistance under the Convention on the Harmonization of Frontier Controls.⁴

On 30 October the Council adopted a Decision amending the legal bases of three Decisions accepting two Annexes to the Kyoto Convention and a Recommendation of the Customs Cooperation Council.⁵

Free movement of goods

ELIMINATION OF TECHNICAL BARRIERS TO TRADE

New approach on harmonization

29. At its meeting on 7 May 1985 the Council had adopted a resolution on the new approach on technical harmonization and standardization. There have been substantial benefits to the Community from this new approach in pressing forward with the work for the completion of the single market.

¹ OJ L 111, 22.4.1989.

² OJ L 142, 25.5.1989.

³ OJ L 200, 13.7.1989.

⁴ OJ L 273, 22.9.1989.

⁵ OJ L 322, 7.11.1989.

The Council, which adopted the first directive based on the new approach on 25 January 1987 (Directive on simple pressure vessels), maintained efforts at harmonization and standardization during 1988. These endeavours enabled it to reach agreement on all the proposals for Directives submitted by the Commission during that year.

On 3 May 1989 the Council adopted a Directive on the approximation of the laws of the Member States relating to electromagnetic compatibility.¹

The provisions of the Directive will apply to apparatus liable to cause electromagnetic disturbance or whose performance is liable to be affected by such disturbance.

The Directive will allow free movement of apparatus with regard to electromagnetic compatibility provided that it meets the provisions of the Directive:

- (i) either by complying with national standards transposing harmonized standards the reference numbers of which have been published in the *Official Journal of the European Communities*, given that these harmonized standards will be drawn up by the Cenelec, which is recognized as the competent body in the field;
- (ii) or with national standards meeting the protection objectives of the above Directive where no harmonized standards exist yet for the areas they cover. In this case, a specific Community inspection procedure is being set up to ensure that the standards fully satisfy the requirements of the Directive.

The fact that apparatus complies with the provisions of the Directive will be certified by an EC declaration of conformity issued by the manufacturer and by an EC mark of conformity affixed to the apparatus.

30. On 14 June 1989 the Council formally adopted the Directive on the approximation of the laws of the Member States relating to machinery.² The aim of this Directive, which constitutes a key point in the new approach on technical harmonization and standardization, is to harmonize national provisions concerning the safety of new machinery.

Its aim is twofold:

- (i) to eliminate barriers to trade arising out of the disparity of national provisions,
- (ii) to introduce Community legislation concerning prevention of accidents by laying down conditions to be met by the manufacturer relating to the design and construction of machinery.

¹ OJ L 189, 23.5.1989, p. 19.

² OJ L 183, 29.6.1989, p. 9.

On 21 December the Council:

- (i) formally adopted the Directive on the approximation of the laws of the Member States relating to personal protective equipment. This Directive aims to lay down the conditions for placing on the market in free movement within the Community together with the essential requirements which PPE must satisfy in order to preserve the health and ensure the safety of users,
- (ii) adopted a common position on the proposal for a Directive on the harmonization of the laws of the Member States relating to non-automatic weighing instruments. This Directive aims at harmonizing the essential provisions which, in the Member States, define in particular the operating requirements needed for non-automatic weighing instruments by specifying metrological and technological requirements and inspection procedures after bringing into service,
- (iii) adopted a common position on the approximation of the laws of the Member States concerning gas appliances. The aim of this Directive is to harmonize national provisions concerning safety and energy conservation in the gas appliances sector and ensure the elimination of barriers to trade arising from the disparity in such provisions.

OTHER DECISIONS RELATING TO TECHNICAL HARMONIZATION AND STANDARDIZATION

31. On 18 September the Council adopted the Directive concerning the approximation of the laws of the Member States supplementing and amending Directive 76/116/EEC in respect of the trace elements boron, cobalt, copper, iron, manganese, molybdenum and zinc contained in fertilizers.¹

On 27 November the Council adopted a Directive amending Directive 80/181/EEC on the approximation of the laws of the Member States relating to units of measurement. (This Directive had previously been the subject of a common position by the Council on 14 June 1989.)

Amendments were also made to earlier Directives at the meeting devoted to the internal market on 21 December when the Council adopted:

- (i) the Directive amending Directive 75/106/EEC on the approximation of the laws of the Member States relating to the making-up by volume of certain pre-packaged liquids (on which a common position had been adopted by the Council on 14 June);
- (ii) the Directive amending for the eighth time Directive 76/769/EEC on the approximation of the laws, regulations and administrative provisions of the Member

¹ OJ L 281, 30.9.1989, p. 116.

States relating to restrictions on the marketing and use of certain dangerous substances and preparations (on which a common position has been adopted on 3 May 1989);

- (iii) the Directive amending Directive 76/769/EEC on the approximation of the laws, regulations and administrative provisions of the Member States relating to restrictions on the marketing and use of certain dangerous substances and preparations (Committee procedure) (on which a common position had been adopted on 18 July);
- (iv) the Directive amending for the fifth time Directive 76/768/EEC on the approximation of the laws of the Member States relating to cosmetic products (on which a common position had been adopted on 3 May).

Rules on competition

32. At its meeting on 21 and 22 December the Council reached agreement on the draft Regulation on the control of concentration operations which would come into force in September 1990. This agreement may be described as historic in nature since it was reached 16 years after the Commission had submitted its preliminary draft.¹

One of the objectives for the establishment of the common market which the Treaty sets the Community is 'the institution of a system ensuring that competition is not distorted'. That system is essential for the completion of the internal market planned for 1992, given that the dismantling of internal borders is resulting and will continue to result in major corporate restructuring in the Community, particularly in the form of concentrations.

The Regulation treats this development as a healthy one in principle. It also considers it essential to ensure that the process of restructuring does not result in lasting damage to competition. To this end, it lays down provisions governing those concentrations which may significantly impede effective competition in the common market or in a substantial part of it.

The Regulation gives the Commission the power to take decisions establishing whether or not concentrations with a Community dimension are compatible with the common market. However, in order to protect legitimate interests, the Regulation allows Member States to apply national legislation on competition under certain circumstances.

In addition, the Commission may refer a notified concentration with a Community dimension to the competent authorities of the Member State concerned in certain circumstances, namely when a concentration threatens to create barriers to competition on a specific market within a Member State.

¹ OJ L 395, 30.12.1989.

33. A concentration, whether a merger of several undertakings or the gaining of control of a number of undertakings, has a Community dimension when:

- (a) the aggregate worldwide turnover of all the undertakings concerned is more than ECU 5 000 million, and
- (b) the aggregate Community-wide turnover of each of at least two of the undertakings concerned is more than ECU 250 000 000,

unless each of the undertakings concerned achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State.

The thresholds, as well as certain other instruments in the Regulation, will be revised by the Council on a proposal from the Commission before the end of the fourth year following that of the adoption of this Regulation.

The Regulation makes it compulsory to give immediate notification of concentrations with a Community dimension, not more than one week after the conclusion of the agreement, or the announcement of the public bid, or the acquisition of a controlling interest, whichever of those events occurs first. If there is no doubt about their compatibility with the common market, the Commission will formally declare them compatible. If, however, it finds that a concentration which has been notified raises serious doubts as to its compatibility with the common market, it will decide to initiate proceedings, which should normally be completed within a maximum of four months. The Commission's appraisal of whether or not a concentration is compatible will be based on criteria laid down by the Regulation.

National authorities will have the power to authorize operations which do not have a Community dimension. However, under this Regulation a Member State may ask the Commission to intervene in respect of such an operation in order to guarantee effective competition on its territory.

The Regulation also makes provision for the Commission to make proposals to the Council for measures in relation to third countries, if on the basis of information from the Member States the Commission finds that Community undertakings are encountering general difficulties on the markets of third countries.

Industrial policy

STEEL INDUSTRY

34. As the free market system had been restored in the steel sector in 1988, the Council gave its particular attention during 1989 to the question of aid to this sector, and specifically aid to the Italian public steel industry.

The Council had given its assent in December 1988 to a draft Commission Decision permitting the Italian Government, subject to a number of conditions — including

the obligation to close several facilities including the liquid phase of Bagnoli on precise dates — to grant aid to its public steel sector for the purposes of implementing a restructuring plan in that sector.

At its meeting on 6 March 1989, the Council — at the request of one delegation — was informed by the Commission on progress made in the restructuring of the Italian steel industry.

In June 1989 the Commission, in response to a request by the Italian Government, submitted to the Council a proposal to amend its Decision of December 1988, to enable postponement of the closure of several facilities to later dates.

The Council discussed this proposal at its meetings on 21 June, 26 September and 14 November 1989. These discussions led to a certain degree of consensus on a solution involving postponement of the closure of the liquid phase of Bagnoli until 31 December 1990 at the latest, together with an undertaking from the Italian Government that it would not request any further extension of the deadline, and adjustment of the latest permitted dates for the payment of aid in the light of the new closure date for the Bagnoli liquid phase.

35. As regards the social aspects, on 6 March 1989 the Council discussed the amended Commission proposals concerning funding for the additional social measures for the period 1988 to 1991. At the end of its discussions, the Council noted that:

- (i) ECU 110 million could already be found from the ECSC's own resources and that funding was therefore secure for 1988/89 at least;
- (ii) the Commission was referring the use of the reserves to the Court of Auditors for consideration;
- (iii) in the light of the Court's opinion, the Council was prepared, if the need arose, to take a decision on funding for the remainder without ruling out a transfer from the EEC general budget to the ECSC budget.

36. In addition, on 26 September 1989 the Council gave its assent,¹ under Protocol No 20 of the Act of Accession of Spain and Portugal, to the draft Commission Decision establishing the delivery level of ECSC steel products of Portuguese origin onto the Community market in 1988 at 110 000 tonnes.

Lastly, in the course of the year the Council gave its assent to the following measures:

- (i) pursuant to the second paragraph of Article 54 of the ECSC Treaty:
the granting of loans for the financing of housing for persons employed in the ECSC industries;²

¹ OJ C 254, 7.10.1989.

² OJ C 85, 6.4.1989.

the co-financing of the construction of the Rion-Antirion bridge in the south-west of Greece;¹

the co-financing of the construction of the first phase of two lines for the City of Athens underground railway;¹

the granting of a global loan to the Ente Finanziario Interbancario SpA (Efibanca) for financing investment programmes which contribute to facilitating the marketing of Community steel;²

(ii) pursuant to Article 55(2)(c) of the ECSC Treaty:

the granting of financial aid for steel research projects and steel pilot/demonstration projects;³

the granting of financial aid for a joint research programme on safety in the coal and steel industries.⁴

B — Right of establishment and freedom to provide services

Financial services

37. Following on the achievements of 1988 and as a result of the faster pace of work to meet the 1992 deadline, 1989 saw the adoption of, or initial agreement on, a series of Directives of key importance in providing a definitive solid basis for the market in financial services: the 'own funds' Directive, the second Directive concerning coordination of banking legislation and the Directive concerning the solvency ratio to be complied with by credit institutions and banks; the Directives concerning insider dealing and mutual recognition of listing particulars, both relating to stock exchanges; the third Directive concerning civil liability in respect of the use of motor vehicles and the second life assurance Directive, both in the insurance sector.

Subject to some transitional provisions of limited scope, all the above Directives will be effective by the end of 1992.

¹ OJ C 146, 13.6.1989.

² OJ C 254, 7.10.1989.

³ OJ C 118, 12.5.1989.

⁴ OJ C 205, 10.8.1989.

Credit institutions

DIRECTIVES ADOPTED

Directive concerning the own funds of credit institutions

38. The Council adopted this Directive on 17 April 1989.¹

The European Parliament had proposed that the Council's common position be amended under the cooperation procedure provided for in Article 149(2) of the Treaty in order to strengthen the Commission's executive powers.

The Council stood by its common position of 21 December 1988.

The Directive tightens up capital requirements on credit institutions operating within the Community and aims to define more strictly the common standards to be met by the various items concerned in order to qualify as 'own funds' with a view, in addition to protecting savers, to harmonizing conditions of competition and enhancing comparability between financial services on offer within the common market.

Second Council Directive on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions and amending Directive 77/780/EEC

39. The Council adopted this Directive on 15 December 1989.²

In its Decision of 22 November 1989³ the European Parliament had proposed that the Council's common position of 24 July 1989⁴ be amended, pursuant to Article 149(2) of the Treaty, on two points, namely extension from three to six months of the time allowed to the Commission to oppose any new request from a third country and strengthening of the Commission's executive powers.

The Council unanimously upheld its common position.

The Directive lays down the general framework for the coordination of banking legislation, amplifying in particular the first Directive's enacting terms on some essential points, such as: minimum initial capital needed, information on control and ownership, abolition of the various financial endowments required of branches in the

¹ Directive 89/299/EEC of 17 April 1989 (OJ L 124, 5.5.1989).

² Directive 89/646/EEC of 15 December 1989 (OJ L 386, 30.12.1989).

³ 10333/89 Pro-Coop 180 EF 95.

⁴ 7835/89 Pro-Coop 116 EF 64 and reasons (ADD I).

Community, introduction of a single licence, treatment of third-country institutions, sharing of supervisory tasks, professional secrecy, etc.

The general framework will also accommodate the 'own funds' and 'solvency ratio' Directives, as well as the 1987 Commission Recommendations concerning large risks and the setting up of a deposit-guarantee scheme. Further Community instruments will clarify certain parts of the general rules, such as monitoring on a consolidated basis, liquidity, market, interest-rate and foreign-exchange risks, reorganization and winding up.

Directive on a solvency ratio for credit institutions

40. On 18 December 1989 the Council adopted the above Directive¹ initially fixing the minimum solvency ratio at 8%. This ratio expresses own funds (i.e. the ratio's numerators) as a proportion of total assets and off-balance-sheet items, risk-adjusted in accordance with the rules laid down in the Directive.

In its Decision of 25 October 1989² the European Parliament proposed four amendments. The Commission's re-examined proposal, submitted under Article 149(2)(d) of the Treaty, accepted only two of them. Eventually, the Council unanimously upheld its common position as regards committee procedure³ and adopted an editorial improvement to Article 11(5) proposed by Parliament.

The Directive broadly reflects the agreement reached by the Group of Ten in Basle in July 1988 on 'international convergence of capital measurement and capital standards', thereby enabling Community credit institutions to satisfy at the same time requirements set at world level.

Stock exchange

DIRECTIVE ADOPTED

41. On 13 November 1989 the Council adopted the Directive coordinating regulations on insider dealing.⁴

The aim of the Directive is to prohibit insider dealing, which enables persons having inside information to derive advantage from it to the detriment of other investors. Consequently, the Directive is designed to contribute to the smooth operation of financial markets by ensuring that investors are placed on an equal footing.

¹ Directive 89/647/EEC of 18 December 1989 (OJ L 386, 30.12.1989).

² 9689/89 Pro-Coop 167 EF 85.

³ Procedure described in paragraphs 38 and 39.

⁴ OJ L 334, 18.11.1989.

The stimulus to establish Community rules arose from the observation that in several Member States there were no provisions prohibiting insider dealing, and that the rules or regulations that did exist differed considerably from one Member State to another.

The text adopted by the Council defines 'inside information' and also 'primary insider' (possessing such information by virtue of his profession or position in an undertaking) and 'secondary insider'. The Directive prohibits disclosure and use of any inside information, obliging Member States to penalize infringements in a sufficiently dissuasive manner. Lastly, it also organizes cooperation between the various national supervisory authorities.

COMMON POSITION

42. On 13 November 1989 the Council adopted its common position on the Directive concerning mutual recognition of stock-exchange listing particulars.

The Directive widens the scope of mutual recognition by authorizing the use of a public-offer prospectus as listing particulars for the purpose of admission to official stock-exchange listing in a Member State other than that where the public offer was made.

WORK IN PROGRESS

Thirteenth Council Directive on company law concerning takeover and other general bids

43. This was the subject of numerous meetings, which made it possible to prepare the ground for a policy debate by the Economic and Financial Affairs Council on 18 December 1989.

The aim of this Directive is to ensure that shareholders are treated equally when a fundamental change occurs in ownership of the capital of a company. The Council's discussions showed a majority in favour of the following principles:

- (i) the obligation to make a bid when certain conditions obtain;
- (ii) restriction of the powers of the board of the offeree company during the period of the bid in order to ensure that the managers of the offeree company do not implement measures intended to make the bid fail;
- (iii) the obligation for each Member State to designate an authority with the task of supervising compliance with takeover provisions;
- (iv) preparation of an offer document to provide shareholders of the offeree company with detailed information so that they can decide whether or not to transfer their shares to the offerer in full knowledge of the facts;

- (v) information for representatives of employees of the target company no later than the time of publication of the documents concerning the bid.

Directive on investment services in the securities field

44. The aim of this Directive is to liberalize the financial services offered by non-banking institutions. On the basis of a single authorization, any investment firm (i.e. any listed company, investment trust or securities house) will be able to provide its services in all Member States of the Community in addition to the State whose authorities granted the authorization.

Discussion by the Working Party has begun and should make it possible to submit the matter to the Council during 1990. It should be noted that the Commission is preparing a proposal for a complementary Directive, which is intended, like the solvency ratio Directive in the case of credit institutions, to ensure the financial soundness of investment firms, by seeing that the opening up of financial markets is accompanied by harmonization of prudential rules.

Insurance

COMMON POSITION

45. On 15 December 1989 the Council adopted the third Directive on insurance against civil liability in respect of the use of motor vehicles. This text, which follows the two previous Directives of 1972 and 1983, completes harmonization of the content of compulsory insurance against civil liability in respect of motor vehicles and in some cases raises the minimum level of cover required by going beyond the current green-card system.

It will be compulsory for insurance policies to cover personal injuries to all passengers, including the owner or person in possession of the vehicle and the person insured. Moreover, where an accident occurs in a Member State whose legislation provides for a lower level of cover than that imposed by the Member State of registration of the vehicle, the person insured will be entitled to the level of cover in the Member State of registration.

WORK IN PROGRESS

46. The Council's discussions on the second Directive on life assurance made such good progress that political agreement was reached at the Internal Market Council on 21 December 1989. The Opinion of the European Parliament is expected at the beginning of 1990 and this should enable the Council to adopt first a common position and then the Directive in the course of that year.

The purpose of this proposal for a Directive is to facilitate freedom to provide services in the life-assurance sphere: any person residing in a Member State can accordingly take out a life-assurance contract with any insurance company established in the Community and any Community insurance undertaking may offer its services in Member States in which it is not established. While liberalizing the life-assurance market, this proposal contains a number of provisions intended to guarantee consumer protection: hence, provision is made for application of the contractual rules of the Member State of the person insured and a period during which a contract may be cancelled is introduced in the interests of the policy-holder.

It should be noted that the Council was in favour of extending the scope of the Directive to include group assurance contracts.

Relations with third countries in the area of financial services

47. An EEC-Switzerland Agreement on direct insurance other than life assurance was signed in Luxembourg on 10 October 1989 subject to ratification.

That Agreement lays down the conditions under which Swiss undertakings may be established in the Community and Community undertakings may be established in the Swiss Confederation. Those conditions are based on the conditions for access to and the pursuit of the activity of direct insurance other than life assurance laid down in the first Directive of 1973, as amended by subsequent Directives.

This is the first time there has been an agreement with a third country in the area of financial services and the text provided the opportunity of finalizing mechanisms which will enable the Community to sign such agreements without hampering the future development of Community law.

Liberal and craft professions

DIRECTIVES ADOPTED

48. On 30 October 1989 the Council adopted Directive 89/594/EEC¹ amending Directives 75/362/EEC, 77/452/EEC, 78/686/EEC, 78/1026/EEC and 80/154/EEC relating to the mutual recognition of diplomas, certificates and other evidence of formal qualifications as doctor, nurse responsible for general care, dental practitioner, veterinary surgeon and midwife, together with Directives 75/363/EEC, 78/1027/EEC and 80/155/EEC concerning the coordination of provisions laid down

¹ OJ L 341, 23.11.1989.

by law, regulation or administrative action relating to the activities of doctors, veterinary surgeons and midwives.

On 10 October 1989 it also adopted Directive 89/595/EEC¹ amending Directive 77/452/EEC concerning the mutual recognition of diplomas, certificates and other evidence of the formal qualifications of nurses responsible for general care, including measures to facilitate the effective exercise of the right of establishment and freedom to provide services, and amending Directive 77/453/EEC concerning the coordination of provisions laid down by law, regulation or administrative action in respect of the activities of nurses responsible for general care.

The purpose of the first of these Directives is to update the various Directives in the medical field in the light of developments in the relevant training in the Member States.

The main purpose of the second Directive is to set the compulsory part of the total minimum length of nursing training to be devoted to clinical instruction (at least half) and to theoretical instruction (at least a third). Member States may use the remaining sixth as they see fit.

WORK IN PROGRESS

49. The Council's subsidiary bodies have begun examining the proposal for a Directive on a second general system for the recognition of professional education and training which complements Directive 89/48/EEC.

Tourism

50. At its Internal Market meeting on 21 and 22 December 1989 the Council reached overall agreement on the Directive on package travel, holidays and tours. A common position will be adopted early in 1990, once the text has been finalized by the legal/linguistic experts.

The proposal harmonizes national provisions on essential aspects of this subject, with the aim of encouraging the free circulation of packages and avoiding distortions of competition between operators established in different countries, thereby also improving consumer protection; in particular, it provides that:

- (i) the description of the package given in the brochure supplied by the organizer or the retailer to the consumer must indicate in an understandable and accurate manner both the price and certain key information. These particulars are binding on the organizer or the retailer;

¹ OJ L 341, 23.11.1989.

- (ii) the contract must contain all the clauses which are essential for the package under consideration; a list of such clauses, which are to be supplied to the consumer before the conclusion of the contract, is annexed to the Directive. The prices laid down in the contract shall not be subject to revision except on the conditions stipulated by the Directive and under no circumstances any later than 20 days before departure;
- (iii) the organizer and/or retailer party to the contract must be responsible to the consumer for ensuring the satisfactory fulfilment of the obligations arising from the contract whether such obligations are to be fulfilled by themselves or by other providers of services;
- (iv) the organizer and/or retailer party to the contract must provide sufficient evidence of ability, in the event of insolvency, to refund money paid over and to repatriate the consumer.

Company law

DIRECTIVES ADOPTED

51. On 21 December 1989 the Council adopted two Directives on company law.

Eleventh Directive on disclosure requirements in respect of branches opened in a Member State by certain types of company governed by the law of another Member State¹

On 13 September 1989, the European Parliament proposed amendments to the Council's common position of 16 May 1989, under the cooperation procedure (Article 149(2) of the Treaty).

The Council endorsed, either in whole or in part, some of the points (fifth and sixth recitals, Articles 3 and 9) requested by the Parliament, but stood by its common position on Article 2.

In order to protect persons who deal with companies through the intermediary of branches, the 11th Directive regulates the disclosure required in the State where the branch is located.

Twelfth Directive concerning single-member private limited-liability companies²

52. On 11 October 1989, the European Parliament proposed amendments to the Council's common position of 21 June 1989.

¹ Directive 89/666/EEC of 21 December 1989 (OJ L 395, 30.12.1989).

² Directive 89/667/EEC of 21 December 1989 (OJ L 395, 30.12.1989).

The Council decided only on the amendment adopted by the Commission in its re-examined proposal (Article 5). It agreed to keep its common position and to enter an interpretative statement in its minutes that goes some way towards accommodating the European Parliament's Opinion.

The aim of the 12th Directive is to encourage the creation and development of small and medium-sized undertakings through the introduction at Community level of single-member limited-liability companies or single-member limited-liability undertakings.

WORK IN PROGRESS

Fifth Directive on the structure of public limited-liability companies and the powers and obligations of their organs

53. The Council continued work on the fifth Directive, which is designed to harmonize the administrative structure of public limited-liability companies and arrangements for worker participation. Member States will be able to opt either for a two-tier system with a supervisory and a management board, or for a single-tier structure with an administrative board; there is provision for conditions to harmonize the working of the two systems. It will be left to the States to choose from four models of worker participation. However, the Council is having difficulties, particularly as regards equivalence between the models concerned.

Statute for a European company

54. In August 1989 proposals for a Regulation and a complementary Directive¹ were referred to the Council in place of those previously submitted by the Commission in 1970.² During the 'first' reading of the new proposals, a number of questions were identified and ways of solving them were sketched out.

The European Parliament and the Economic and Social Committee have still to deliver their Opinions.

From the spirit in which the delegations approached these proceedings, rapid progress can be expected.

¹ OJ C 263, 16.10.1989.

² OJ C 124, 10.10.1970.

Public procurement

DIRECTIVES ADOPTED

Directive amending Directive 71/305/EEC concerning the coordination of procedures for the award of public works contracts

55. The Council adopted this Directive on 18 July 1989.¹

On 15 February 1989, the European Parliament proposed amendments to the Council's common position of 4 November 1988, pursuant to Article 149(2) of the Treaty, which establishes the cooperation procedure. Although the Council agreed to endorse the Parliament's views on some points (Article 1(2)), on others it either stood by its common position (Article 22b(1)) or agreed to a compromise (Article 22b(2)).

Public contracts are of increasing importance within the European economy and the Directive accordingly represents a major step towards the completion of the internal market in 1992. It makes the procedures for awarding public contracts more transparent, and gives entrepreneurs a chance to compete in all Member States on an equal footing. In particular, advertising requirements have been extended by the inclusion of prior notice of the technical characteristics of forthcoming contracts so that contractors can prepare for them in time and by the publication of notices of contracts awarded.

Some criteria have been harmonized.

Member States have one year to implement the Directive, but Spain, Greece and Portugal have extra time, until 1 March 1992.

Directive on the coordination of the laws, regulations and administrative provisions relating to the application of rules on procedures for the award of public supply and public works contracts

The Council adopted this Directive on 21 December 1989.²

The Council adopted its common position on 24 July 1989. The European Parliament was heard on second reading, pursuant to Article 149(2) of the Treaty, which establishes the cooperation procedure.

The aim of the Directive is to ensure compliance with Community provisions relating to public contracts with a view to such contracts being opened to Community competition. It provides for the right of appeal against any illegalities committed in relation to Community rules by a contracting authority.

¹ Directive 89/440/EEC of 18 July 1989 (OJ L 210, 21.7.1989).

² Directive 89/665/EEC of 21 December 1989 (OJ L 395, 30.12.1989).

WORK IN PROGRESS

Public procurement and excluded sectors

56. The Council bodies are actively pursuing their examination of the proposal for a Directive aimed at making procurement in the water, energy, transport and telecommunications sectors subject to Community rules.

The common position on this proposal will be adopted in the first half of 1990.

Transborder broadcasting

DIRECTIVE ADOPTED

Directive on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities

57. The Council adopted this Directive on 3 October 1989.¹

It lays down the principle of the freedom of retransmission of television broadcasts between Member States, with the sole exception of cases where a broadcast manifestly, seriously and gravely infringes the Directive's rules on the protection of minors.

It lays down provisions on advertising breaks and the duration of advertising, and also contains provisions on the protection of minors and the right of reply.

It promotes European audiovisual production, the objective being that the majority of programmes broadcast should be European works. The Commission has been instructed to report every two years on the percentages achieved in the Member States.

Member States have two years to incorporate the Directive into their national law.

Posts and telecommunications

INTERNAL MARKET IN TELECOMMUNICATIONS SERVICES

58. Work in 1989 focused on defining a framework for the completion of the internal market in telecommunications services. The specific measures put forward by the Commission were proposals for a Commission Directive (Article 90(3) of the Treaty)

¹ Directive 89/552/EEC of 3 October 1989 (OJ L 298, 17.10.1989).

on competition in telecommunications services and for a Council framework Directive on open network provision (ONP). The purpose of these Directives is to define the conditions under which private suppliers of services may gain access to the market (aim: liberalization, abolition of the monopolies in telecommunications services with the exception of the telephone service), and to determine how and to what networks and public telecommunications services private suppliers may have access across the Community on uniform terms (aim: harmonization of conditions of access).

OPEN NETWORK PROVISION, ONP FRAMEWORK DIRECTIVE

After difficult and wide-ranging discussions, the Council unanimously agreed on 7 December 1989 on an overall policy package on the liberalization and harmonization of telecommunications services, thus opening the way for rapid and conclusive discussions on both the above Directives. The Council's common position on the ONP framework Directive was established on 21 and 22 December 1989.

HDTV (HIGH-DEFINITION TELEVISION)

The Council took two decisions on high-definition television (HDTV). The purpose of these two Council Decisions is to define a common strategy on the part of the Member States for the Community-wide introduction of HDTV services, to get Europe's proposal accepted as a uniform world standard, and to establish a common approach on the part of the Member States at international level.

EUROPEAN RADIO PAGING SYSTEM

The Council examined for the first time a draft Recommendation on the coordinated introduction of a pan-European land-based public radio paging system and a draft Directive on the frequency bands to be reserved for this system; the Member States shared broadly similar views on this subject. The Opinion of the European Parliament on these two texts is still awaited.

TELECOMMUNICATIONS, STANDARDIZATION, ISDN

The Council also took decisions concerning strengthened coordination in the introduction of the ISDN (integrated services digital network) in the Community, the promotion of standardization in the area of telecommunications through ETSI (European Telecommunications Standards Institute) and further action on research and development in the field of integrated broadband communications.

TELECOMMUNICATIONS, MISCELLANEOUS

The Council also had an exchange of views on the social and external aspects of telecommunications, the use of the ecu as an accounting unit, and public telecommunications contracts.

POSTS

In an informal discussion the Council reaffirmed as a matter of principle the economic and social importance of postal services for the internal market and the responsibility of the postal service to serve the public interest. A majority of Member States were, *inter alia*, in favour of classifying certain postal services as reserved services, and for continuing and strengthening cooperation between postal administrations. The setting up of an advisory group of senior officials on post (SOGP) was approved.

C — Intellectual property

Patent law

COMMUNITY PATENT

59. On 18 September 1989 the Council agreed to convene a third Intergovernmental Conference on the Community patent, the other two having taken place in 1975 and 1985. The terms of reference of the Conference, which took place in Luxembourg from 11 to 15 December 1989, were to resolve the two technical problems outstanding from the 1985 Conference, namely first the scale for allocating revenue from renewal fees in respect of the Community patent between the contracting States and, second, the rules governing translations of the specification of the patent and their publication.

At the close of the Conference the Governments of the Member States of the European Communities adopted the following texts:

the Agreement relating to Community patents to which are annexed the Community Patent Convention and its implementing Regulations, a Protocol on litigation, a Protocol on privileges and immunities of the Common Appeal Court and a Protocol on the Statute of that Court;

a Protocol on a possible modification of the conditions of entry into force of that Agreement;

a Joint Declaration, comprising several resolutions and declarations;

the Final Act of the Conference.

The Agreement relating to Community patents will enter into force after ratification by the 12 Member States. However, if it has not entered into force by 31 December 1991, a Conference of the Governments of the Member States will be empowered to change unanimously the number of Member States which have to ratify the Agreement for it to enter into force.

LEGAL PROTECTION OF BIOTECHNOLOGICAL INVENTIONS

During 1989 the Council's subordinate bodies conducted two readings of the proposal for a Directive on the legal protection of biotechnological inventions. The main aim of the proposal is to establish harmonized, clear and improved standards for protecting biotechnological inventions in order to foster the innovatory potential and the competitiveness of Community science and industry in this important field of modern technology. The provisions of the proposal systematically adapted the principles of patent law to the field of biotechnology with the aim of securing the effective application of patent laws in that area.

Trade-mark law

60. On 8 June 1989 the Council authorized the EEC to take part, within the limits of its powers, in a Diplomatic Conference on a Protocol relating to the Madrid Agreement concerning the International Registration of Marks.

The Conference, which was held in Madrid from 12 to 28 June 1989 under the auspices of WIPO and in which the European Economic Community participated as a member delegation, adopted a Protocol which in the course of 1989 was signed by 28 States, including all the Member States of the Communities. The aim of the Protocol is to make it easier for the States which are not parties to the Madrid Agreement concerning the International Registration of Marks to gain access to the latter and provides for a link with the future Community trade-mark system. In this context it also stipulates that the EEC may become a party to it as soon as it has a trade-mark office.

Copyright

61. During the second half of 1989 the Council's subordinate bodies examined in detail the proposal for a Directive on the legal protection of computer programs.

Pending the Parliament's Opinion on the proposal, the Council held an initial policy debate on 21 December 1989 on the question of the extent of the legal protection as regards the specification of interfaces and on the problem of analysing a program without the consent of the right holder. It instructed the Commission to provide a very thorough analysis of these problems which should also take account of the opinions of the circles concerned.

Legal protection of semiconductor products

62. The Council authorized the European Economic Community to participate in the Diplomatic Conference for the Conclusion of a Treaty on Legal Protection in respect of Integrated Circuits, which was held in Washington from 8 to 26 May 1989 under the auspices of WIPO.

The Conference, in which 73 member delegations, including the EEC, took part, adopted the 'Treaty on intellectual property in respect of integrated circuits' which had been signed by four States as at 1 October 1989. The treaty requires contracting parties to provide on their territories protection of intellectual property in respect of layout-designs (topographies), to take sufficient measures to forestall acts regarded as illegal under the treaty and to provide appropriate legal means should such acts be committed. Since the EEC, as an international organization, has powers and laws on this matter, it could become a party to the treaty.

Work in connection with international organizations, in particular the World Intellectual Property Organization (WIPO)

63. The Member States and the Commission coordinated their positions, following the usual procedures, in preparation for the following meetings organized by WIPO in Geneva, in addition to those mentioned in paragraphs 60 and 62:

- (i) the sixth consultative meeting for revising the Paris Convention (18 to 22 September 1989);
- (ii) the 20th series of meetings of the governing bodies of WIPO (25 September to 4 October 1989);
- (iii) the first meeting of the Committee of Experts on the Harmonization of Laws for the Protection of Marks (27 November to 1 December 1989).

For the work on questions concerning intellectual property carried out under the GATT Uruguay Round, reference should be made to the chapter on external relations, under 'Trade policy'.¹

¹ See paragraph 171 *et seq.* of this Review.

Chapter III — Economic and social policy

A — Economic, financial and tax questions and export credits

Economic and financial questions

ECONOMIC SITUATION IN THE COMMUNITY AND COORDINATION OF ECONOMIC POLICIES

64. The dynamism which has characterized economic activity in the Community for a number of years led in 1989 to a 3.5% increase in the Community GDP. Fundamental improvements recorded in the 1980s made possible a clear improvement in growth and employment performance. As a result of an increase in the number of jobs available, unemployment in the Community fell to 9% of the active population. Current operations remained in balance. However, differences in the external positions of the Member States continued to widen. There were also major differences in rates of inflation between Member States. The average rate of inflation in the Community, measured by the deflator of private consumption, remained at 5%.

The need for better coordination of national economic policies dominated the regular examinations of the economic situation. The Council backed up these examinations with multilateral surveillance of the main economic indicators. In December the Council adopted, in accordance with the 1974 Decision on convergence,¹ the annual economic report and established the economic policy guidelines to be followed in the Community.²

The Member States held exchanges of views on international economic and monetary problems. One example was the preparation by the Ministers for Economic Affairs and Finance of the meetings which took place under the auspices of the International Monetary Fund and the World Bank. In particular, in March 1989 the

¹ OJ L 63, 5.3.1974.

² OJ L 399, 30.12.1989.

Ministers adopted conclusions on the debt problem of heavily indebted middle-income countries and on the strategy to be adopted in this sphere.

ECONOMIC AND MONETARY UNION (EMU)

65. On the basis of a report from the Committee chaired by the President of the Commission (Delors Report), the European Council meeting in Madrid in June 1989 decided that the first stage of the attainment of economic and monetary union would begin on 1 July 1990. Acting on a proposal from the Commission, the Council approved the measures needed to launch this first stage. These involved a new Decision on convergence replacing that of 1974 and the strengthening of the 1964 decision on cooperation between the central banks of the Member States.

In preparation for the final stages of economic and monetary union, the European Council meeting in Strasbourg in December 1989 agreed that an Intergovernmental Conference would be convened before the end of 1990 to prepare an amendment to the EEC Treaty.

EUROPEAN MONETARY SYSTEM (EMS)

66. In March 1989 the Council commemorated the 10th anniversary of the operation of the EMS. The Council took the opportunity to stress the important contribution of this system to the establishment of a zone of monetary stability favourable to the development of economic activity in the Community.

Since 19 June 1989 the Spanish peseta has been part of the EMS exchange-rate mechanism. The Ministers, the Governors of the Central Banks and the Commission interpreted this decision by the Spanish Government as a commitment to cooperate closely to bring about the convergence of economic performance in the Community. This decision was also regarded as an important stage in the process of integrating all Community currencies into the EMS. For a transitional period the peseta will be allowed to fluctuate by up to 6% against the other currencies in the system.

Since 21 September 1989 all the currencies of the Member States of the Community are part of the ecu basket. In accordance with the resolution of the European Council of 5 December 1978 on the establishment of the EMS, the Council decided on 19 June 1989 to review the composition of the ecu.¹ On that occasion the Spanish Government and the Portuguese Government asked that the peseta and the escudo respectively be incorporated into the ecu under the provisions of the Treaties of Accession of those two countries.

¹ OJ L 189, 4.7.1989.

The new weightings on the basis of which the Commission, as from 21 September 1989, has had to determine the amounts of the currencies included in the ecu are as follows:

Member State	Weighting (%)	Amount of currency	
FR of Germany	30.1	0.6242	DM
France	19.0	1.332	FF
United Kingdom	13.0	0.08784	UKL
Italy	10.15	151.8	LIT
The Netherlands	9.4	0.2198	HFL
Belgium	7.6	3.301	BFR
Spain	5.3	6.885	PTA
Denmark	2.45	0.1976	DKR
Ireland	1.1	0.008552	IRL
Greece	0.8	1.44	DR
Portugal	0.8	1.393	ESC
Luxembourg	0.3	0.13	LFR
Total	100.00	1	ECU

OWN RESOURCES

67. The new Decision on own resources¹ entered into force on 1 February 1989. In order to implement this Decision, the Council adopted, after conciliation with the European Parliament, two Regulations, one on traditional own resources and the new additional resource and the other on the definitive uniform arrangements for the collection of own resources accruing from VAT.² Both these Regulations contain *inter alia* provisions concerning the inclusion in the accounts and the making available of the additional resource based on GNP, the operation of the monetary reserve, the establishment of the VAT base and the informing of the Commission about fraud and irregularities. On the latter subject, the Council, with a view to strengthening the Commission's role in the fight against fraud, provided for the possibility of direct, on-the-spot checks by the Commission in connection with transactions concerning own resources.

The inclusion in the system of own resources of an additional resource based on GNP made it necessary to reinforce the comparability and reliability of this statistical aggregate. The Council accordingly adopted a Directive on the harmonization of the compilation of GNP at market prices.³ Comparability of GNP data is ensured by

¹ OJ L 185, 15.7.1988.

² OJ L 155, 7.6.1989.

³ OJ L 49, 21.2.1989.

complying with the definitions and accounting rules of the European System of Integrated Economic Accounts (ESA) and by collecting basic data and applying assessment procedures in accordance with harmonized rules.

TAXATION OF SAVINGS

68. In view of the complete liberalization of capital movements¹ from 1 July 1990, the Council attempted to identify solutions to reduce risks of tax distortions, avoidance and evasion connected with such liberalization. On 18 December 1989 the Council examined draft conclusions involving a series of measures to improve mutual assistance between Member States, to extend judicial assistance, to adapt certain national measures and to strengthen cooperation with non-member countries of the Community. These conclusions met with the agreement of 11 members of the Council.

STATISTICAL PROGRAMME

69. With a view to establishing a comprehensive and consistent framework capable of satisfying Community requirements for statistical information, the Council adopted a resolution on the implementation of a plan of priority actions: statistical programme of the European Communities (1989 to 1992).² The aim of this programme, which was made particularly necessary by requirements in the statistical sector resulting from the creation of the internal market, is to harmonize methods and to establish a common basis for concepts, definitions and standards, while taking account of the specific features of national statistical systems.

With a view to the implementation of this programme, the Council established a Committee on the Statistical Programmes of the European Communities.³ This Committee assists the Commission in the coordination of multiannual statistical programmes in order to ensure that Community and national programmes are consistent.

GUARANTEE FOR LOANS FROM THE EUROPEAN INVESTMENT BANK (EIB) FOR PROJECTS IN HUNGARY AND POLAND

70. Subject to the Opinion of the European Parliament, the Council agreed in principle on a proposal for a Decision empowering the Commission to guarantee the EIB

¹ OJ L 178, 8.7.1988.

² OJ C 161, 28.6.1989.

³ OJ L 181, 28.6.1989.

against losses under loans for projects in Hungary and Poland. This guarantee will be entered in the budget of the European Communities.

Fiscal harmonization

71. Examination of Commission proposals on the approximation of indirect tax rates and on the structure of indirect tax rates continued to be a central feature of the Council's proceedings during 1989.

In June, the Commission forwarded to the Council its new guidelines on the approximation of indirect taxes, which introduced a measure of flexibility into its initial 1987 proposals. The new guidelines were followed in December by some amendments to the proposals with regard to excise duties.

In the light of these new guidelines, and further to the mandate given to it by the Madrid European Council, the Economic and Financial Affairs Council in its conclusions of 13 November and 18 December 1989 approved the main features of the fiscal arrangements to be introduced for indirect taxation after 1992.

The solutions adopted will give tangible shape for undertakings and private individuals to the commitments entered into under the Single Act.

On 18 July 1989 the Council adopted the 18th Council Directive on turnover taxes¹ (89/465/EEC), which abolishes certain derogations provided for in the sixth Directive on VAT relating to the uniform basis of assessment under the common system of VAT.

On 23 November 1989 the Council adopted Directive 89/604/EEC² amending Directive 83/183/EEC on tax exemptions applicable to permanent imports of the personal property of individuals.

The Directive follows on from the report of the *ad hoc* Working Party on a People's Europe approved by the Brussels European Council on 29 and 30 March 1985.

Its aim is to simplify the formalities associated with removals within the Community: Member States will henceforth grant exemption from taxation upon presentation of a full inventory of the goods being removed drawn up on plain paper. No reference to value may be demanded on the inventory of goods.

Rules on the periods for which imported goods must have been in use, and quantitative limits in respect of certain goods, have been relaxed.

¹ OJ L 226, 3.8.1989.

² OJ L 348, 29.11.1989.

On 13 March 1989 the Council adopted Directive 89/194/EEC¹ which permits Denmark to maintain its derogation from the rules governing travellers' allowances for a further period until 31 December 1990.

Export credits

ARRANGEMENT ON GUIDELINES FOR OFFICIALLY SUPPORTED EXPORT CREDITS

72. Following the OECD Ministerial Meeting on 31 May and 1 June 1989, Ministers decided that endeavours to strengthen multilateral disciplines concerning export credit subsidies and improve transparency should be kept up. Participants in the Arrangement accordingly began work in this area and will submit an interim report to the Ministerial Meeting in May 1990.

As a participant in the Arrangement, the Communities are involved in these proceedings.

Extension of the Decision of 4 April 1978²

By its Decision of 16 October 1989 the Council extended for 12 months the above Decision on the application of the Guidelines Arrangement within the Community, and adopted the new consolidated text of the Arrangement.

Sector Understanding on export credits for aircraft

73. The Arrangement on guidelines for officially supported export credits contains provisions specific to aircraft and these constitute the Sector Understanding on export credits for aircraft. In the OECD framework this sector is dealt with by the Working Party on export credits for aircraft.

Negotiations on possible amendments to the various chapters of the Sector Understanding are under way.

¹ OJ L 73, 17.3.1989.

² This Council Act has not been published in the *Official Journal of the European Communities*.

Understanding on export credits for ships

74. Ships are not covered by the Arrangement on guidelines for officially supported export credits but by the OECD Understanding on export credits for ships. In the OECD framework this sector is dealt with by Working Party No 6 on Shipbuilding.

Negotiations have been under way in this Working Party since early 1987 following a Japanese proposal for the amendment of the Understanding on Ships, with particular reference to the rates of interest used.

The Community is taking part in these negotiations on the basis of negotiating directives adopted by the Council at the end of October 1987.

A review of the General Understanding on Ships was begun by the OECD Shipbuilding Liaison Group following an American proposal tabled in October 1989.

INTRA-COMMUNITY CONSULTATIONS

75. Consultations under the terms of Decision 73/391/EEC¹ were held, as in previous years, covering all transactions under consideration relating to periods of more than five years. Exchanges of views were also held regularly between the Member States on developments regarding risks in the various buyer countries.

An inventory was compiled of the problems which might arise in the area of export credits following the completion of the single market in 1992, with particular reference to short-term and medium-term credit insurance.

B — Social policy

76. The main subjects which occupied the Council during 1989 were: drafting the Community Charter of the Fundamental Social Rights of Workers, protecting the safety and health of workers at the workplace, employment and training, and the problems of social protection seen from a wide variety of angles.

In pursuance of its mission to promote the attainment of the social dimension of the internal market, the Council for the first time held several meetings on social policy in each six-month period, making a total of five such meetings during the year; four were meetings of Ministers for Labour and Social Affairs (5 April, 12 June,

¹ OJ L 345, 17.12.1973.

30 October and 30 November 1989) and one a meeting of Ministers for Social Affairs (29 September 1989).

At two informal meetings held in Seville (Spain) on 6 and 7 March 1989 and in Auxerre (France) on 9 and 10 July 1989, Ministers for Labour and Social Affairs held an exchange of views on a number of major current issues, notably the draft Community Charter of the Fundamental Social Rights of Workers, the social dimension of the internal market and several aspects of employment and of vocational training.

An informal meeting was held in Toledo (Spain) on 27 and 28 April 1989 at which Ministers for Women's Affairs were able to discuss, amongst other things, the proposal for a Directive completing the implementation of the principle of equal treatment for men and women in statutory or occupational social security schemes, on the sharing of family and occupational responsibilities and on the consequences of the completion of the internal market for the situation of women.

The dialogue with the two sides of industry was continued in the Standing Committee on Employment which held its 37th meeting on 12 May 1989 devoted to problems of economic growth, employment and social conditions, and its 38th meeting on 10 November 1989, at which it discussed employment in Europe (trends and priorities).

Community Charter of the Fundamental Social Rights of Workers

77. Following on from the conclusions of the European Councils of Hanover and Rhodes, the European Council in Madrid considered that, in the context of the establishment of the single European market, the same importance must be attached to the social aspects as to the economic aspects and that, therefore, they must be developed in a balanced manner.

On 28 September 1989 the Commission submitted a draft Community Charter of Fundamental Social Rights which an *ad hoc* Working Party, consisting of one direct representative per Minister from each Member State, used as a basis for drawing up a draft Community Charter of the Fundamental Social Rights of Workers.

At its meeting on 30 October 1989 the Council held a detailed discussion on the draft Charter, which the President of the Council then forwarded to the Strasbourg European Council (8 and 9 December 1989) under cover of a report.

The President of the Council had beforehand, in October 1989, consulted the European Trades Union Confederation and Unice, appeared before the Committee on Social Affairs and Employment of the European Parliament and addressed the Economic and Social Committee.

78. The Charter sets out in 26 numbered paragraphs the fundamental social rights of workers with regard to freedom of movement, employment and remuneration, the improvement of living and working conditions, social protection, freedom of association and collective bargaining, vocational training, equal treatment for men and women, information, consultation and participation of workers, health protection and safety at the workplace, protection of children and adolescents, and elderly persons and the disabled.

Under the terms of paragraph 27, it is more particularly the responsibility of the Member States in accordance with national practices, notably through legislative measures or collective agreements, to guarantee the fundamental social rights in the Charter and to implement the social measures indispensable to the smooth operation of the internal market as part of the strategy of economic and social cohesion.

In paragraph 28, the Commission is invited to submit as soon as possible initiatives which fall within its powers, as provided for in the Treaties, with a view to the adoption of legal instruments for the effective implementation, as and when the internal market is completed, of those rights which come within the Community's area.

At the Strasbourg European Council (8 and 9 December 1989), the Charter was adopted in the form of a solemn declaration by the Heads of State or Government of 11 Member States.

For its part, on 29 November 1989 the Commission sent the Council a communication on its action programme relating to the implementation of the Charter.

Employment and vocational training

79. On 30 November 1989 the Council and the Ministers for Labour and Social Affairs meeting within the Council adopted a resolution on setting up a European employment survey,¹ under the terms of which a network was instituted for the purpose of studying employment trends on an ongoing basis.

The network would be required to focus on the sectors affected by completion of the internal market and to take into account the work already carried out at Community level.

The Commission was invited, from the beginning of 1990, to take the necessary steps to set up the survey in question by calling upon the human and financial resources at its disposal.

At its meetings on 5 April and 12 June 1989 the Council examined the proposal for a Council Regulation instituting a specific Community programme of accompany-

¹ OJ C 328, 30.12.1989.

ing social measures to assist workers in the shipbuilding industry who are made redundant or threatened with redundancy (social aspect of the Renaval programme), but was unable to reach the unanimous agreement required for its adoption.

80. Following on from its meeting on 5 April 1989, on 5 June 1989 the Council adopted a resolution on continuing vocational training¹ in which it invited the Member States, with due regard to the powers under national law of the parties concerned, to take or promote measures to:

- (i) encourage continuing vocational training to be made a more integral part of the short and medium-term development strategies of firms, branches and sectors;
- (ii) integrate continuing vocational training into local, regional and national employment policies;
- (iii) strengthen training infrastructures and develop the preventive function of continuing vocational training while distributing fairly the organizational and financial burdens involved;
- (iv) integrate continuing vocational training measures into economic and social development schemes;
- (v) encourage dialogue between workers and employers at all appropriate levels in order to promote the implementation of the measures involved.

The Council also asked the Commission to lay before it as soon as possible an action programme on continuing vocational education which took account of the opportunities afforded by the structural Funds, especially the European Social Fund, and by the Comett and Eurotecnet programmes.

81. Following on from its 30 November 1989 meeting, on 18 December 1989 the Council adopted Decision 89/657/EEC establishing an action programme to promote innovation in the field of vocational training resulting from technological change in the European Community (Eurotecnet).²

The programme will last five years from 1 January 1990, and its objective is to promote innovation in the fields of basic and continuing vocational training with a view to taking account of current and future technological changes and their impact on employment, work and necessary qualifications and skills.

The Eurotecnet programme consists of a network of national or transnational innovative projects which take account of a common framework of guidelines and which are designed to develop and improve vocational training policies and systems for the new technologies in the Member States, and a series of Community measures which are designed to support and supplement national measures.

¹ OJ C 148, 15.6.1989.

² OJ L 393, 30.12.1989.

Health and safety of workers at the workplace

82. At its meeting on 12 June 1989 the Council adopted Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work (framework Directive).¹

This Directive provides the foundation for Community policy in the field of safety and health of workers at the workplace on the basis of Article 118a of the EEC Treaty; as required in that Article, the Directive sets minimum requirements.

In line with Article 118a, the Directive avoids imposing administrative, financial and legal constraints in a way which would hold back the creation and development of small and medium-sized undertakings.

The Directive lays down, amongst other things, general principles concerning the prevention of occupational risks, the training, information, consultation and balanced participation of workers and general guidelines for the implementation of these general principles.

The Directive must be implemented by 31 December 1992.

83. At its meeting on 30 November 1989 the Council adopted the first three individual Directives within the meaning of Article 16 of the framework Directive relating, respectively, to workplaces, work equipment and personal protective equipment.

All three Directives had been the subject of common positions adopted by the Council at its meeting on 5 April 1989.

The three Directives have a common structure (general provisions, employers' obligations, miscellaneous provisions) and contain a number of identical provisions regarding, for instance, the date of implementation (31 December 1992) and the requirement that consultation and participation of workers and/or their representatives must take place in accordance with Article 11 of the framework Directive on the matters covered by the Directives including the Annexes thereto.

84.

Council Directive 89/654/EEC concerning the minimum health and safety requirements for the workplace² lays down that:

- (i) workplaces used for the first time after 31 December 1992 must satisfy the minimum health and safety requirements laid down in Annex I to the Directive

¹ See 36th Review, paragraph 100.

² OJ L 393, 30.12.1989.

(these relate *inter alia* to the following: electrical installations, emergency routes and exits, fire protection and fire fighting, ventilation of enclosed work spaces, room temperature and lighting, rest rooms, sanitary equipment, etc.);

- (ii) in the case of workplaces already in use before 1 January 1993 employers must apply the minimum safety and health requirements listed in Annex II, which are less stringent than those contained in Annex I, at the latest three years after 1 January 1993.

85.

Council Directive 89/655/EEC concerning the minimum safety and health requirements for the use of work equipment by workers at work¹ includes among its provisions the requirement that the employer must obtain and/or use:

- (i) work equipment which, if provided to workers in the undertaking and/or establishment for the first time after 31 December 1992, complies with the provisions of any relevant Community Directive which is applicable, or where no other Community Directive is applicable or is so only partially, the minimum requirements laid down in the Annex,
- (ii) work equipment which, if already provided to workers in the undertaking and/or establishment by 31 December 1992, complies with the minimum requirements laid down in the Annex no later than four years after that date.

86.

Council Directive 89/656/EEC on the minimum health and safety requirements for the use by workers of personal protective equipment at the workplace¹ lays down that, before choosing personal protective equipment, the employer is required to assess the personal protective equipment he intends to use and this assessment must include an analysis and assessment of risks which cannot be avoided by other means.

Under the terms of the Directive, Member States must ensure that general rules are established for the use of personal protective equipment which must indicate in particular the circumstances or the risk situations in which the use of such equipment is necessary.

There are annexes to the Directive containing useful information for establishing such rules.

87. At its meetings on 30 October and 30 November 1989 the Council adopted common positions on the fourth and fifth individual Directives within the meaning of Article 16 of the framework Directive regarding the manual handling of loads and work with display screen equipment.

¹ OJ L 393, 30.12.1989.

The Council thus took a decision on all the proposals for Directives on the protection of workers at the workplace (the Article 118a package) submitted by the Commission in March 1988.

- (a) The common position on the fourth individual Directive (minimum health and safety requirements for the manual handling of loads where there is a risk, particularly of back injury, to workers) provides in particular that the employer must take appropriate organizational measures to avoid the need for manual handling of loads by workers or, where this cannot be avoided, to reduce the risk involved in the manual handling of such loads.
- (b) The common position on the fifth individual Directive (minimum safety and health requirements for work with display screen equipment) requires employers to:
 - (i) perform an analysis of workstations in order to evaluate the safety and health conditions to which they give rise for their workers;
 - (ii) take appropriate steps to ensure that workstations satisfy the minimum requirements contained in the Annex to the Directive relating to the equipment, the environment and the operator/computer interface.

It is also laid down in the common position that:

- (i) the workers' activities must be planned in such a way that daily work on a display screen is periodically interrupted by breaks;
- (ii) workers must be entitled to an appropriate eye and eyesight test and, if necessary, to an ophthalmological examination.

88. At its meeting on 30 November 1989 the Council also approved a common position on the Directive on the protection of workers from the risks related to exposure to carcinogens at work.

The common position lays down that the employer must reduce the use of a carcinogen at the place of work, in particular by replacing it, insofar as it is technically possible, by a substance, preparation or process which, under its conditions of use, is not dangerous or is less dangerous. Wherever a carcinogen is used, the employer must apply a series of measures designed to eliminate or reduce exposure.

The Council also began its examination of the proposal for a Directive on biological agents.

Equal treatment for men and women — Family policy

89. At its meeting on 12 June 1989 the Council examined the proposal for a Directive completing the implementation of the principle of equal treatment for men and women in statutory and occupational social security schemes.

At the close of this examination the President noted that two delegations upheld general scrutiny reservations together with certain specific reservations.

The Council instructed the Permanent Representatives Committee to continue its discussions on this proposal for a Directive.

At its meeting on 12 June 1989 the Council also discussed the sharing of family and professional responsibilities, on the basis of a draft resolution submitted by the Presidency.

At the close of the discussion, the President noted that 11 delegations supported the text of the resolution and one delegation upheld a reservation.

90. At its meeting on 29 September 1989 the Council and the Ministers responsible for Family Affairs meeting within the Council considered a Commission communication on family policies which followed on from the meetings of the European Council in Copenhagen and Brussels and from the conclusions of the General Affairs Council on 29 February 1988.

This examination culminated in the adoption of conclusions regarding family policies¹ under which the following activities would be started or continued at Community level:

- (i) information actions, particularly through the production and presentation of regular information on demography and measures concerning families;
- (ii) inclusion of the family dimension in the establishment of appropriate Community policies;
- (iii) a regular exchange of information and views at Community level on major themes of common interest as regards family policy and demography.

These activities should be monitored by regular assessment of the measures taken and periodic assessment in the Council.

Social protection

91. In 1989 the Council gave special attention to the various aspects of social protection and in particular to general questions, to the social security of migrant workers and to handicapped persons.

At its meeting on 29 September 1989 the Council held a debate on the topic of social protection: a challenge for the success of the internal market.

¹ OJ C 277, 31.10.1989.

At the end of the debate the President noted very broad agreement on three main lines of approach:

- (i) to improve the rules governing the coordination of social protection schemes with a view to eliminating all obstacles to the free movement of workers, and more generally, persons in the Community;
- (ii) to strive jointly to achieve a number of specific objectives concerning complementary welfare, which is not confined to retirement schemes;
- (iii) to develop cooperation among Member States to improve their mutual knowledge of their social protection systems and to promote as far as possible the adoption of convergent national solutions on the subject.

Following its meeting on 12 June 1989, the Council adopted, on 18 July 1989, Decision 89/457/EEC establishing a medium-term Community action programme concerning the economic and social integration of the economically and socially less privileged groups in society.¹

This third programme continues and extends the Community's efforts in the fight against poverty undertaken in the previous 1975 and 1984 programmes.

It provides in particular for pilot projects and innovatory measures intended to integrate the economically and socially less privileged groups in society.

The programme is to last for five years (1 July 1989 to 30 June 1994), with funding of ECU 55 million.

92. On 29 September 1989 the Council and the Ministers for Social Affairs meeting within the Council adopted a resolution on combating social exclusion² based on a note from the Presidency.

In this resolution — which forms part of the efforts already undertaken by the Community and the Member States in the fight against poverty — the Member States are requested to implement or promote measures to enable everyone to have access to:

education, by acquiring proficiency in basic skills,
training,
employment,
housing,
community services,
medical care.

¹ OJ L 224, 2.8.1989.

² OJ C 277, 31.10.1989.

The Commission was asked, *inter alia*, to report on national and Community measures taken in the spheres covered by this resolution within three years of its adoption.

93. In the area of social security for migrant workers the Council adopted the following Regulations amending Regulations (EEC) Nos 1408/71 and 574/72:

on 11 May 1989, Regulation (EEC) No 1305/89¹ aimed at adapting a number of transitional measures;

on 18 July 1989, Regulation (EEC) No 2332/89² aimed *inter alia* at including in Regulation (EEC) No 1408/71 a new Article 9a on the prolongation of the reference period and at adapting Community legislation to a number of new situations in the Member States;

on 30 October 1989, Regulation (EEC) No 3427/89³ containing a uniform solution to the problem of payment of family benefits to members of the family who do not reside in the territory of the competent State.

The solution set out in Regulation (EEC) No 3427/89, worked out on the basis of a compromise proposal from the Presidency and supported by the Commission, puts an end to a problem which has existed for several years. It provides *inter alia* that all French family benefits will be subject to the system of the country of employment and will hence be exportable, with the exception of housing allowances, the home child-care allowance, the parental childrearing allowance and the allowance for young children up to the age of three months.

94. On 29 September 1989 the Council adopted conclusions on a European card for provision of immediate care.⁴

In these conclusions it requested the Commission, with the long-term aim of establishing a European card for provision of immediate care, to conduct a survey initially of procedures whereby Member States could recognize national social insurance cards issued by other Member States.

This should enable cardholders staying temporarily in another Member State to have access to urgently needed treatment, on presentation of their national insurance card or form E 111.

95. At its meeting on 12 June 1989 the Council adopted conclusions on the employment of disabled people in the Community.⁵

¹ OJ L 131, 13.5.1989.

² OJ L 224, 2.8.1989.

³ OJ L 331, 16.11.1989.

⁴ OJ C 277, 31.10.1989.

⁵ OJ C 173, 8.7.1989.

In this text, the Council stressed in particular that:

- (i) all Community citizens should without exception be able to benefit from the completion of the internal market including its social dimension;
- (ii) disabled people were continuing to experience difficulty in gaining access on an equal basis to vocational training and employment and that their unemployment rate was appreciably higher than that of the population as a whole;
- (iii) improvement in the employment situation for disabled people required special measures as regards employment and vocational training;
- (iv) one of the main aspects of the policy of occupational integration of disabled people was to inform and increase the awareness of all the parties involved in the integration process.

The Council therefore invited the Member States:

- (i) to uphold and continue to implement policies of positive action to promote the occupational integration of disabled people;
- (ii) to encourage and promote the involvement of the social partners and the representatives of disabled people in defining and implementing such measures.

It asked the Member States and the Commission to develop measures to promote a better knowledge of the social realities affecting disabled people and of their employment situation.

96. Finally, it asked the Commission:

- (i) to develop measures to promote cooperation and exchanges of experience amongst the various Member States;
- (ii) to continue to give effective support, particularly within the framework of the European Social Fund rules, to national measures for the occupational integration of disabled people;
- (iii) to submit to the Council, on the basis of an evaluation of the results of the implementation of Recommendation 86/379/EEC, proposals in the field covered by the said Recommendation which will ensure better coordination and greater consistency between the measures introduced by the Member States.

At its meeting on 29 September 1989 the Council held a political debate on the basis of proposals from the Presidency for a global European policy to assist the handicapped and the disabled.

At the close of the debate, the President emphasized the broad agreement reached on the need to:

- (i) take account in the 12 Member States and the Community of the special situation of handicapped persons;

- (ii) work out a global policy to coordinate all measures affecting the daily lives of handicapped persons: education, housing, transport, leisure, etc;
- (iii) take account in the different Community policies of the specific needs of the handicapped;
- (iv) put in hand a procedure for following up and giving impetus to these actions.

He concluded that the Commission should be able to make proposals on these points.

97. On 18 December 1989 the Council adopted Decision 89/658/EEC concerning the further development of the Handynet system in the context of the Helios programme.¹

In this Decision the Council maintained the Handynet system (the European Community computerized information system on disability questions) for the period 1 January 1990 to 31 December 1991 and stated that priority would be given to the activities of completion and putting into operation of the Handy aids module on technical aids intended for persons affected by impaired motor, visual, hearing, mental or communication faculties.

Aid within the framework of the ECSC

98. The Council received from the Commission, pursuant to Article 56(2)(a) of the ECSC Treaty, approximately 20 requests for assent to enable that institution to ensure the productive re-employment of ECSC workers unemployed or threatened with unemployment by the granting of conversion loans to companies or, in the form of a global loan, to financial institutions.

The Council gave a favourable reply to these requests by authorizing the granting of loans for a total amount of ECU 630 million, with individual amounts ranging from ECU 2 to 133 million.

Information instruments

99. On 6 October 1989 the Council adopted Regulation (EEC) No 3044/89 on the organization of a labour force sample survey in the spring of 1990 and 1991.²

¹ OJ L 393, 30.12.1989.

² OJ L 292, 11.10.1989.

International Labour Organization

100. In Brussels and Geneva the Member States coordinated their positions on the topics discussed at the June 1989 International Labour Conference, in particular the following: safety in the use of chemical substances at work and night work.

Moreover, on 30 November 1989 the Council adopted a Decision concerning the negotiations for the International Labour Conference on Safety in the Use of Chemicals at Work.

C — Regional policy

French overseas departments (FODs)

101. The Council adopted two Decisions concerning the FODs: one concerning a programme of options specific to the remote and insular nature of those departments (Poseidom);¹ the other concerning the dock dues in the FODs;¹

The Poseidom programme will cover a period of years, and should in principle be implemented by 31 December 1992 through the adoption of the necessary acts.

The specific objectives of the programme are:

- (i) making possible the realistic integration of the FODs into the Community by establishing an appropriate framework for the application of common policies in those departments;
- (ii) helping the FODs catch up economically and socially, with a view to the completion of the internal market by 31 December 1992, through coordinated and concentrated action involving the structural Funds, the European Investment Bank (EIB) and other existing financial instruments; measures adopted by national authorities must be integrated with such actions.

It provides for the maintenance, extension or adaptation of the Community measures already adopted for the FODs, and for new measures which must take into account their specific characteristics and the need to make their economic and social development possible.

In practice, apart from actions under the new structural Fund provisions, these measures are:

- (i) *ad hoc* measures for the lines of agricultural production of special interest to the FODs, and for rum;

¹ OJ L 399, 30.12.1989.

- (ii) measures to facilitate supplies to local markets of products for livestock farming and human consumption;
- (iii) action to encourage and facilitate regional cooperation with neighbouring ACP countries and OCTs;
- (iv) action to improve air services.

102. The Decision on dock dues lays down that by 31 December 1992 at the latest, the French authorities shall take the necessary measures for the dock dues arrangements at present in force in the FODs to apply to all products whether imported into or produced in the FODs.

It stipulates that the revenue from this tax shall be put to use by the competent authorities of each FOD in such a way as to encourage as effectively as possible the economic and social development of each FOD.

In the light of the specific constraints on the FODs and in order to achieve the objective of their economic and social development, partial or total exemptions from the charge, according to economic requirements, may be authorized for local production activities for a period of not more than 10 years from the date of introduction of this system.

D — Preparation of a Community energy policy

General situation

103. Pressing on towards completion of the internal market in energy was one of the crucial aims of the Council's work during 1989. The Council examined four proposals relating to the transparency of gas and electricity prices charged to industrial end-users, the transit of electricity through transmission grids, the transit of natural gas through the major systems and investment projects of interest to the Community in the petroleum, natural gas and electricity sectors.

Another consideration, also of major importance for the Council's work, was to reduce the dependency of the Community's energy policy by developing and disseminating new energy technology. Such is the purpose of a proposal for a Council Regulation concerning the promotion of energy technology in Europe.

The Council also continued examining more specific aspects of various energy sectors: the use of electricity, the petroleum sector and nuclear energy.

Account should furthermore be taken of energy developments in the context of external relations.

Internal market in energy

PRICE TRANSPARENCY

104. At its meeting on 11 May 1989,¹ the Council discussed in depth a Commission communication entitled 'Transparency of consumer energy prices.'²

Following the debate the Presidency, after stressing the importance of this subject in the context of completion of the single energy market, noted the Commission's intention to submit to it by July 1989 a proposal intended to achieve greater transparency of information on prices charged to final consumers in the natural gas and electricity sectors.

The Presidency also noted that, in the context of achieving the single energy market, consideration should be given to whether or not it was desirable, as the Commission and certain Member States contended, to set up a system which, with due regard for the rules on confidentiality and competition, would permit transparency to be extended to cost structures and subsequently to price and tariff formation.

105. As it had said it would, the Commission sent the Council a proposal for a Directive based on Article 213 of the EEC Treaty. The basic aspects of this proposal for a Community procedure on the transparency of gas and electricity prices charged to industrial end-users³ were the subject of a preliminary examination at the Council meeting on 30 October 1989,⁴ pending receipt of the Opinions of the European Parliament and the Economic and Social Committee.

There was a broad convergence of views on the principle of ensuring the transparency of prices as proposed by the Commission, and concerning, in particular, the communication of data relating to the prices and terms of sale of gas and electricity to industrial end-users and to the price systems in use.

This convergence of views also covered the recognition of the need to guarantee the confidentiality of the data which would thus be communicated.

¹ 6526/89 PV/Cons 24 + AMD 1.

² 5472/89 Ener 4 and 5472/1/89 Ener 4 rev 1 (F, DE, EN).

³ OJ C 257, 10.10.1989.

⁴ 9606/89 PV/Cons 64 + COR 1.

In addition, the principle of providing for the possibility of specific clauses for fledgling industries encountered a favourable reaction, subject to further examination of the practical arrangements for it.

The Council instructed the Permanent Representatives Committee to continue its detailed examination of the various provisions likely to be considered in the light of the aforementioned guidelines and, for its part, agreed to resume examination of this proposal when it had received the Opinions of the European Parliament and the Economic and Social Committee.

TRANSIT OF ELECTRICITY THROUGH TRANSMISSION GRIDS IN THE COMMUNITY

106. At its meeting on 30 October 1989,¹ the Council, without prejudice to the Opinions still awaited from the European Parliament and the Economic and Social Committee, made an initial examination of the basic aspects of a proposal for a Directive, based on Article 100a of the EEC Treaty, which the Commission had submitted on 20 July 1989.² There was broad consensus on the general aim of the proposal, namely the interest in increasing intra-Community trade in electricity by encouraging the development of transfrontier transit through transmission grids. The Council also considered that the aim of the proposed Directive should be confined to electricity transit, thus excluding other operations such as transmitting such energy for third parties. Finally, the Council noted that the question of involving third countries in the system of transfrontier electricity transit needed further examination.

TRANSIT OF NATURAL GAS THROUGH THE MAJOR SYSTEMS IN THE COMMUNITY

107. In its communication to the Council of 20 July 1989,³ which was accompanied by a proposal for a Directive, also based on Article 100a of the EEC Treaty, on the transit of natural gas through the major systems, the Commission stressed more particularly the importance within the general context of completing the single energy market of completing the internal market in natural gas. In the same communication, the Commission advocated the need for greater openness of this market, namely through increased competition.

The Council conducted a general discussion on this proposal at its meeting on 30 October 1989¹ without prejudice to the Opinions which were awaited from the Euro-

¹ 9606/89 PV/Cons 64 + COR 1.

² OJ C 8, 13.1.1990.

³ OJ C 247, 28.9.1989.

pean Parliament and the Economic and Social Committee. This discussion enabled the Member States' delegations to state their positions of principle in the light in particular of the specific characteristics of the natural gas sector.

INVESTMENT PROJECTS OF INTEREST TO THE COMMUNITY IN THE PETROLEUM, NATURAL GAS AND ELECTRICITY SECTORS

108. The decisive role of investment which determines, often for several decades, the structure and operation of the energy markets, led the Council in 1972 to adopt a Regulation on notifying the Commission of investment projects of interest to the Community in the petroleum, natural gas and electricity sectors.¹

In connection with the completion of the internal energy market, the Council had received a proposal to amend the first Regulation² based, like the latter, on Article 213 of the EEC Treaty and intended essentially to improve the cover and use made of information.

At its meeting on 30 October 1989, the Council, pending receipt of the Opinions of the European Parliament and the Economic and Social Committee, was able only to conduct a general discussion on the basic aspects of the proposal. It therefore agreed to instruct the Permanent Representatives Committee to continue the work already started.

Promotion of energy technology

109. At its aforementioned meetings on 11 May and 30 October 1989, the Council examined the main aspects of the proposal for a Regulation, based on Article 235 of the EEC Treaty, concerning the promotion of energy technology in Europe.³ Such promotion would be ensured by the implementation of what is known as the 'Thermie' programme, which was to succeed the programmes, expiring on 31 December 1989, on demonstration projects in the energy field⁴ and of technological development in the hydrocarbons sector.⁵

Besides the preliminary conclusions adopted on 11 May 1989, of which the essential points were recognition of the need for a new programme and the hope that it would be fully operational by the beginning of 1990, the Council, with a view to establishing

¹ Regulation (EEC) No 1056/72 of 18 May 1972 (OJ L 120), amended by Regulation (EEC) No 1215/76 of 4 May 1976 (OJ L 140).

² OJ C 250, 3.10.1989.

³ OJ C 101, 22.4.1989.

⁴ Regulation (EEC) No 3640/85 of 21.12.1985 (OJ L 350, 27.12.1985).

⁵ Regulation (EEC) No 3639/85 of 21.12.1985 (OJ L 350, 27.12.1985).

a joint guideline, reached a convergence of views on a number of points at its meeting on 30 October 1989. That was the case for the maximum rate of support which might be granted for dissemination projects and for the procedure for implementing the programme. On the other hand, since the question of the overall amount of the appropriations considered necessary still required further clarification, the Council instructed the Permanent Representatives Committee to resume its examination of this proposal on which the Opinion of the European Parliament was still not available.

Problems peculiar to various energy sectors

ELECTRICITY

110. On 5 June 1989¹ the Council adopted, on the basis of a proposal based on Article 235 of the EEC Treaty, a decision on a Community programme for improving the efficiency of electricity use. Its reasons were as follows:

- (i) improvements in the efficiency of electricity use would bring benefits in terms of lower primary energy consumption, reduced investment in electricity production capacity and lower electricity costs to consumers;
- (ii) there was significant potential for improving the efficiency of electricity use and specific action was required to exploit that potential;
- (iii) an immediate consequence of saving energy was the saving of non-renewable raw materials and a reduction in the pollution of the environment and that this was therefore consistent with the relevant objectives laid down by the Single Act.

It stressed in parallel that such a Community action programme involved not only the Commission and Member State Governments but also other parties in the electricity sector, notably the electricity distribution companies, the manufacturers of electrical appliances, the electricity consumers' organizations and professional institutions.

OIL

111. These problems, including those of the refining industry, are, as is well known, under constant attention from the Council. Following a detailed examination of a Commission communication on developments and prospects until 1995 for the oil market and refining industry in the Community, the Council adopted a number of recommendations at its meeting on 11 May 1989.²

- (a) In order to achieve the objectives of the Single European Act in the refining sector, the Community should endeavour to reduce any distortions of competition

¹ OJ L 157, 9.6.1989.

² 6526/89 PV/Cons 24 + AMD 1.

having a significant impact on industrial costs and the competitiveness of refineries, including those resulting from rules related to environmental considerations. In this connection, the Commission will, if necessary, submit proposals taking as a basis an appropriate level of environmental protection in accordance with the objectives of the Single Act.

112.

- (b) In the interests of safeguarding security of supply and the competitiveness of its economy,
 - (i) the Community should maintain an efficient and viable refining industry of adequate capacity, operating at optimum utilization rates;
 - (ii) in this context, responsibility for further restructuring will, hitherto, rest with the industry itself, provided that freedom of competition is ensured and security of supply is not threatened.
- (c) Rationalization must continue, concentrating upon areas and refineries where utilization rates are less than optimum in relation to market requirements with the aim of raising these rates to an adequate level in all refineries.
- (d) The policies previously adopted regarding refining and imports of petroleum products should be continued.
- (e) Without jeopardizing the objectives referred to in paragraph (b), the Community should maintain its open attitude to imports of petroleum products and to downstream investments by oil-producing countries. In this connection, the Community would like to see the other major consuming and exporting countries pursue similar policies.

The Community will assess its attitude in this respect at regular intervals, on the basis of the Commission report referred to in the second indent of paragraph (h).

113.

- (f) With a view to achieving the single market in energy, governments should assume an active role in identifying and removing obstacles posed by national legislation to the rationalization of the refining industry.
- (g) It is in the first place a matter for the refining industry to take account of the Community dimension of the market by carrying out mergers or participating in joint ventures, in compliance with competition rules.
- (h) The Commission should continue to monitor developments and to report to the Council, if necessary together with appropriate proposals, concerning:
 - (i) trends in consumption, external trade, refining capacity and profitability in the Community;

- (ii) developments in other major oil-consuming and exporting countries;
- (iii) progress made in restructuring, in order to ensure that there is no threat to security of supply or freedom of competition;
- (iv) progress made by Member States in removing obstacles to rationalization;
- (v) implementation of measures concerning the environment and emissions in the various Member States.

NUCLEAR QUESTIONS

Nuclear safety: internal aspects

114. At its meeting on 27 November 1989, the Council, which had received proposals and reports from the Commission, adopted a number of texts for the further reinforcement of the initiatives already taken in the Community to promote still further the greatest possible safety in the nuclear sphere.

This involves, first of all, a Directive, based on Article 31 of the Euratom Treaty.¹ It concerns informing the general public about health-protection measures and about steps to be taken in the event of a radiological emergency and:

- (a) makes provision for both prior information and further information in the case of a radiological emergency, as well as specialized information for those who might be involved in organizing assistance in such an event;
- (b) refers to the radiological emergencies defined in Council Decision 87/600/Euratom of 14 December 1987² on Community arrangements for the early exchange of information in such an event;
- (c) specifies additionally that the situations covered are those likely to result in members of the public being exposed to doses in excess of the dose limits prescribed under the Directives laying down basic Community safety standards for radiological protection;
- (d) contains annexes defining the guidelines for implementing the information procedures laid down.

115. Assistance in the event of a nuclear accident or radiological emergency also gave rise, on the same occasion, to Council conclusions. These state that the Council endorses the Commission's wish to promote Community cooperation, without prejudice to international or bilateral cooperation. The Council in particular supports the Commission's intention of convening periodic meetings of experts from the Member States to work towards better utilization of the available resources in the event of such an accident or radiological emergency and in particular to lay the

¹ Directive 89/618/Euratom of 27 November 1989 (OJ L 357, 7.12.1989).

² OJ L 371, 30.12.1987.

groundwork for setting up an inventory of resources available for use to combat the effects of incidents of this type.

116. Lastly, the Commission's communication to the Council accompanied by the second report on the transport of radioactive materials in the Community led the Council to adopt conclusions on this matter. They stress the importance attached to this field of activity, including its consistency with the single market, ask the Commission to pursue its efforts to continue to ensure that the transport of radioactive materials within the Community is conducted in complete safety and consider it necessary to continue the preparatory work on setting up a joint data bank on hazards and on agreements and procedures to be applied in the event of an accident.

Radioactive contamination

117. The Council's proceedings during the period under consideration were dominated by two main concerns. The first was to review the relevant measures taken, most recently in 1987, to cope with the aftermath of the accident at Chernobyl.

The second was to step up still further health protection for people living in the Community in the event of a nuclear accident or radiological emergency.

As far as the first aspect was concerned, the Council, at its meeting on 21 December 1989 and on the basis of Article 113 of the EEC Treaty, extended until 31 March 1990 Regulation (EEC) No 3955/87¹ on the conditions governing imports of agricultural products originating in third countries following the accident at the Chernobyl nuclear power station. This Regulation lays down the maximum permitted accumulated radioactive levels in terms of caesium for such products.

118. With regard to the second chapter, two aspects, although interlinked in many respects, may be perceived.

With Regulation No 2218/89 of 18 July 1989,² based on Article 31 of the Euratom Treaty, the Council supplemented Regulation (Euratom) No 3954/87¹ laying down maximum permitted levels of radioactive contamination of foodstuffs and of feedingstuffs following a nuclear accident or in any other case of radiological emergency. Besides a number of scientific adaptations, these additions essentially amounted to fixing levels to be applied henceforth, in the event of such emergency situations arising, for baby foods and liquid foodstuffs, as well as to defining a procedure for establishing appropriate levels for feedingstuffs if need be.

¹ OJ L 371, 30.12.1987.

² OJ L 211, 22.7.1989.

The second aspect follows on from the resolution of the Council and the representatives of the Governments of the Member States meeting within the Council on 22 December 1987¹ on special export conditions, which, *inter alia*, provides that the same limit values as those in force within the Community should be applied to foodstuffs exported by the Community. Thus, on 18 July 1989, the Council adopted Regulation No 2219/89,² based on Article 113 of the EEC Treaty, on the special conditions for exporting foodstuffs and feedingstuffs following a nuclear accident or any other case of radiological emergency. Broadly speaking, this Regulation stipulates that foodstuffs and feedingstuffs may not be exported if their radioactive contamination exceeds the maximum permitted levels fixed at Community level.

External relations and energy sector

119. It should first be noted that, as in the past, the Council bodies regularly reviewed the implementation of the bilateral nuclear agreements concluded between Euratom and certain third countries such as Australia, Canada and the United States. Similarly, discussions prior to the proceedings of the International Atomic Energy Agency and the Nuclear Energy Agency were continued and intensified.

There were a number of innovations, moreover, in connection with the conclusion of conventions.

Thus in the nuclear sphere, on 27 November 1989 the Council adopted, notably on the basis of the provisions of the second subparagraph of Article 101 of the Euratom Treaty, a decision approving the conclusion of the Convention on assistance in the case of a nuclear accident or radiological emergency, negotiated in the framework of the International Atomic Energy Agency (IAEA). This accession to the Convention by the Community as such, which is also based on the provisions of Article 8 of the Euratom Treaty, is intended to allow the establishments of the Joint Research Centre to receive international assistance or to take part in it, as necessary.

Lastly, it should be noted that the Agreement signed on 18 December 1989 between the EEC and Euratom, on the one hand, and the USSR, on the other, on trade and commercial and economic cooperation, stipulates that economic cooperation could cover, *inter alia*, energy including nuclear energy and nuclear safety (safety of installation and radiation protection).

¹ OJ C 352, 30.12.1987.

² OJ L 211, 22.7.1989.

E — Transport

120. In 1989 the Council held four meetings devoted to transport: on 14 March, 5 June, 16 October and 4 and 5 December 1989.

The Ministers for Transport also met informally in Murcia on 13 February 1989, and in Paris on 6 October 1989.

Inland transport

ADMISSION TO OCCUPATIONS IN THE ROAD TRANSPORT SECTOR

121. On 21 June 1989 the Council adopted a Directive¹ amending Directives 74/561/EEC² and 74/562/EEC² on admission to the occupations of road haulage operator and road passenger transport operator in national and international transport operations and Directive 77/796/EEC³ aiming at the mutual recognition of diplomas, certificates and other evidence of formal qualifications for goods haulage operators and road passenger transport operators.

The Directive is designed to harmonize the basic requirements for admission to and pursuit of the occupations. It provides *inter alia* for uniform application throughout the Community of the requirements laid down in Directives 74/561/EEC and 74/562/EEC, and aims to tighten up the minimum conditions to be fulfilled by transport operators.

CONDITIONS UNDER WHICH NON-RESIDENT CARRIERS MAY OPERATE NATIONAL ROAD HAULAGE SERVICES WITHIN A MEMBER STATE (CABOTAGE)

122. On 21 December 1989 the Council adopted Regulation (EEC) No 4059/89⁴ laying down the conditions under which non-resident carriers may operate national road haulage services within a Member State. This Regulation implements a transitional system (1990 to 1992) determining the conditions under which non-resident carriers may operate national road haulage services within a Member State (cabotage).

The transitional system is the first step towards Community road cabotage; it permits any road haulage carrier who is established in a Member State in accordance with

¹ OJ L 212, 22.7.1989.

² OJ L 308, 19.11.1974.

³ OJ L 357, 29.12.1976.

⁴ OJ L 390, 30.12.1989.

its legislation and who is authorized, in that State, to operate international road haulage services, to operate under certain conditions and on a temporary basis, national haulage services for hire and reward in another Member State, without having a registered office or other establishment there.

The entry into force of a definitive cabotage system was set for 1 January 1993; that system should be adopted by the Council, acting on a proposal from the Commission, before 1 July 1992.

FIXING OF RATES FOR THE CARRIAGE OF GOODS BY ROAD BETWEEN MEMBER STATES

123. On 21 December 1989 the Council adopted Regulation (EEC) No 4958/89 on the fixing of rates for the carriage of goods by road between Member States.¹ That Regulation lays down that, with effect from 1 January 1990, the rates for the carriage of goods by road between Member States will be set by free agreement between the parties to the haulage contract. It replaces Regulation (EEC) No 3568/83 of 1 December 1983,² which contained a system of reference tariffs and compulsory tariffs.

WEIGHTS, DIMENSIONS AND CERTAIN OTHER TECHNICAL CHARACTERISTICS OF CERTAIN ROAD VEHICLES

Weight and dimension standards not laid down by Directive 85/3/EEC³

124. On 27 April 1989 the Council adopted Directive 89/338/EEC⁴ amending Directive 85/3/EEC on the weights and dimensions of road vehicles.

This new Directive:

- (i) extends the scope of the existing Directive to most vehicles intended for passenger transport;
- (ii) adds to Annex I of Directive 85/3/EEC a series of new standard weights and dimensions, including in particular the fixing at 11.5 tonnes of the axle weight of two, three or four-axle motor vehicles and four-axle combined vehicles;
- (iii) accords Ireland and the United Kingdom temporary derogations for some of these new standards.

¹ OJ L 390, 30.12.1989.

² OJ L 359, 22.12.1983; amendment of the Regulation: OJ L 176, 7.7.1988.

³ OJ L 2, 3.1.1985; amendment of the Directive: OJ L 98, 15.4.1988.

⁴ OJ L 142, 25.5.1989.

On 18 July 1989, the Council adopted Directive 89/460/EEC¹ fixing at 31 December 1998 the expiry date for all the derogations accorded to Ireland and the United Kingdom under Directive 85/3/EEC.

At the Council's request and in connection with the fixing at 11.5 tonnes of the driving-axle weight, the Commission undertook to submit a proposal within one year concerning new vehicle construction techniques making it possible to reduce the damage caused to roads.

Maximum authorized dimensions for articulated vehicles

125. On 18 July 1989, the Council adopted Directive 89/461/EEC¹ further amending Directive 85/3/EEC. This Directive fixes certain maximum authorized dimensions for articulated vehicles. The provisions of the Directive mean that the maximum length of semi-trailers will be between 13.57 and 13.61 metres.

ROAD SAFETY

126. On 18 July 1989, the Council adopted Directive 89/459/EEC on the approximation of the laws of the Member States relating to the tread depth of tyres of certain categories of motor vehicles and their trailers.¹ This Directive makes compulsory a minimum tread depth of 1.6 mm for tyres of passenger-carrying vehicles with a maximum of nine seats and goods vehicles with a maximum weight not greater than 3.5 tonnes. The Directive will enter into force on 1 January 1992.

At its meetings on 16 October and 4 and 5 December 1989, the Council held a general policy debate on road safety.

VOCATIONAL TRAINING FOR CERTAIN DRIVERS OF VEHICLES CARRYING DANGEROUS GOODS BY ROAD

127. On 21 December 1989, the Council adopted Directive 89/684/EEC² on vocational training for certain drivers of vehicles carrying dangerous goods by road.

This Directive makes compulsory a vocational-training certificate for certain drivers of road vehicles carrying dangerous goods; it also provides for mutual recognition of such certificates by the Member States. Vocational training will be ratified by the passing of an examination approved by the competent authority.

¹ OJ L 226, 3.8.1989.

² OJ L 398, 30.12.1989.

The essential objective of the training covered by the Directive is to make drivers aware of the risks inherent in the carriage of dangerous goods by road and impart the basic knowledge needed to minimize the chance of an incident occurring and, if one does occur, to take the measures necessary to safeguard themselves and the environment.

The provisions of the Directive will take effect:

as from 1 July 1992 for the carriage of dangerous goods in tanks and for the carriage of explosive substances;

as from 1 January 1995 for all other types of carriage of dangerous goods.

While compatible with the ADR,¹ the Directive imposes tighter controls in certain of its aspects.

STATISTICS IN RESPECT OF CARRIAGE OF GOODS BY ROAD

128. On 18 July 1989, the Council adopted Directive 89/462/EEC² amending Directive 78/546/EEC³ on statistical returns in respect of carriage of goods by road, as part of regional statistics.

The new Directive extends the scope of Directive 78/546/EEC to the type of carriage referred to as 'cross-trade', i.e. carriage by vehicles registered in one Member State between two other Member States or between another Member State and a non-Member State. Member States also have to abolish all formalities carried out at frontiers between Member States for the purpose of compiling statistical data.

RAIL TRANSPORT

High-speed rail network (TGV)

129. At its meeting on 4 and 5 December 1989, the Council adopted a resolution on the development of a high-speed rail network within railway infrastructures. In that resolution, the Council requests the Commission to convene a high-level Working Party comprising representatives of the Member States and the European

¹ European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), concluded in Geneva under the auspices of the Economic Commission for Europe on 30 September 1957, and amended many times subsequently. All Member States with the exception of Ireland are contracting parties to the ADR.

² OJ L 226, 3.8.1989.

³ OJ L 168, 26.8.1978.

railways; this Working Party would be instructed to assist the Commission and the Council in preparing an outline plan stating the priority projects to be undertaken with a view to the completion of a European high-speed rail network together with common technical standards which will enable modern trains to operate on this network and ensure compatibility in respect of technics and infrastructures between the various sections of the network.

INLAND WATERWAY TRANSPORT

Structural improvements in inland waterway transport

130. At its meeting on 27 April 1989, the Council adopted Regulation (EEC) No 1101/89 on structural improvements in inland waterway transport.¹ This Regulation reduces the structural overcapacity which exists in the fleets involved in the carriage of goods on the waterway networks of certain Member States by introducing a coordinated scrapping scheme implemented by scrapping funds set up in each of the Member States concerned and by 'old for new' arrangements intended to ensure that the effects of the scrapping scheme are not cancelled out by extra river craft coming into service.

In accordance with the Regulation, on 27 April and 8 December 1989 the Commission adopted Regulations laying down certain measures for implementing the Council Regulation.²

Moreover, on 25 April 1989, the Central Commission for the Navigation of the Rhine (CCNR) adopted an Additional Protocol to the Revised Convention for the Navigation of the Rhine with particular reference to the inclusion of Switzerland in the scrapping scheme decided on by the Council.

COMBINED RAIL/ROAD TRANSPORT

Aids for combined transport

131. On 27 April 1989, the Council adopted Regulation (EEC) No 1100/89¹ amending Regulation (EEC) No 1107/70 on the granting of aids for transport by rail, road and inland waterway.³

¹ OJ L 116, 28.4.1989.

² OJ L 116, 28.4.1989 and OJ L 360, 9.12.1989.

³ OJ L 130, 15.6.1970, as last amended by Regulation (EEC) No 1658/82 (OJ L 184, 29.6.1982).

This Regulation:

- (i) on the one hand, authorizes — in addition to aids for investment in infrastructure or the fixed and movable facilities necessary for trans-shipment — the granting of aids for the operating costs of combined transport in so far as intra-Community transit traffic through the territory of third countries is involved, and
- (ii) on the other hand, maintains in force until 31 December 1992 the whole system of aid for combined transport.

Before 30 June 1991, the Commission will make a progress report to the Council on the application of this provision. In the light of that report, and in view of the temporary nature of the system, the Council will decide under the conditions laid down in the Treaty on the arrangements to be applied subsequently or, if necessary, on the conditions for terminating such aid.

NEGOTIATIONS WITH AUSTRIA, SWITZERLAND AND YUGOSLAVIA IN THE FIELD OF INLAND TRANSPORT

132. At each of its meetings on transport held in 1989, the Council took note of the progress of negotiations between the Community and third countries of transit, commenced on the basis of the Council's brief of 19 December 1988.¹ On 5 June and 4 and 5 December 1989, the Council also adopted further conclusions with a view to continuing negotiations with these countries.

OTHER COMMISSION PROPOSALS EXAMINED BY THE TRANSPORT COUNCIL DURING 1989

133.

Elimination of distortions of competition of a fiscal nature in the carriage of goods by road;

Transport infrastructures;

Social regulations in the field of road transport;

Hiring of commercial vehicles.

Air transport

COMPUTERIZED RESERVATION SYSTEMS (CRSs)

134. On 24 July 1989, the Council adopted Regulation (EEC) No 2299/89² on a code of conduct for computerized reservation systems (CRSs).

¹ See 36th Review, paragraph 136.

² OJ L 220, 29.7.1989.

This Regulation provides for the application of Community rules to all computerized reservation systems irrespective of the status or nationality of the system vendor, the source of the information used or the location of the central data-processing unit and the geographical location of the air transport product concerned. The Regulation should make it possible to ensure that all air carriers and travel agents of the Community enjoy fair and equal conditions of competition when using computerized reservation systems.

TRAFFIC SYSTEM CAPACITY PROBLEMS

135. On 18 July 1989, the Council and the Ministers for Transport, meeting within the Council, adopted Resolution 89/C 189/02 on air traffic system capacity problems.¹ This resolution provides for the Member States to cooperate in establishing a single air traffic flow management centre and highlights the need to make progress within Eurocontrol in working out a common approach towards air traffic control.

At its meeting on 4 and 5 December 1989, the Council agreed to confirm the role of Eurocontrol as the body responsible for developing cooperation measures in Europe and to remind all Member States of the need to accede. The Council also requested the Commission to draw up a proposal for a Directive on the purchase of air navigation equipment in order to harmonize the technical specifications for such equipment.

SCHEDULED INTER-REGIONAL AIR SERVICES FOR THE TRANSPORT OF PASSENGERS, MAIL AND CARGO

136. On 18 July 1989, the Council adopted Directive 89/463/EEC² amending Directive 83/416/EEC³ concerning the authorization of scheduled inter-regional air services for the transport of passengers, mail and cargo.

The amendments made by the Directive will bring the provisions of Directive 83/416/EEC into line with those of Decision 87/602/87⁴ on the sharing of passenger capacity and on market access adopted by the Council in December 1987.

The Council will decide on the revision of this amended Directive by 30 June 1990 at the latest as part of the second phase of liberalization of air transport in the Community.

¹ OJ C 189, 26.7.1989.

² OJ L 226, 8.12.1989.

³ OJ L 237, 26.8.1983.

⁴ OJ L 374, 31.12.1987.

RESTRICTIONS ON NOISE EMISSION FROM AEROPLANES

137. On 4 December 1989, the Council adopted Directive 89/629/EEC¹ on the limitation of noise emission from civil subsonic jet aeroplanes.

The objective of this Directive is to continue the Community action introduced by previous legislation² and provides for non-addition of civil subsonic jet aeroplanes which do not comply with the standards specified in Chapter 3 of Annex 16 to the Convention on International Civil Aviation (Chicago Convention). This rule will apply as from 1 November 1990 for aeroplanes registered in the Member States after that date. However, aeroplanes registered in the Member States before 1 November 1990 and aeroplanes registered in non-member States and operated by the companies of non-member States will not be affected by this Directive.

COMMISSION COMMUNICATION ON THE DEVELOPMENT OF CIVIL AVIATION IN THE COMMUNITY³

138. The Council bodies embarked on an examination of the three proposals contained in the above Commission communication:

Proposal for a Council Regulation (EEC) on access for air carriers to scheduled intra-Community air service routes and on the sharing of passenger capacity between carriers on scheduled air services between Member States;

Proposal for a Council Regulation (EEC) on fares for scheduled air services;

Proposal for a Council Regulation (EEC) amending Regulation (EEC) No 3976/87 of 14 December 1987 on the application of Article 85(3) of the Treaty to certain categories of agreements and concerted practices in the air transport sector.

At its meeting on 4 and 5 December 1989, the Council held a detailed policy debate on the Commission proposals. Following that debate, the Council approved conclusions that significant progress should be made during the second phase of development of civil aviation in the Community in the areas of liberalization of passenger and freight air transport, external policy and technical and social harmonization.

¹ OJ L 363, 13.12.1989.

² Directive 80/51/EEC (OJ L 18, 24.1.1980) amended by Directive 83/206/EEC (OJ L 117, 4.5.1983).

³ OJ C 258, 11.10.1989.

Shipping

MEASURES TO INCREASE THE COMPETITIVENESS OF THE COMMUNITY FLEET

139. On 31 July 1989, the Commission submitted to the Council a communication on improving the operating conditions of Community shipping and an information document on financial and fiscal measures concerning shipping operations with ships registered in the Community. The communication was accompanied by proposals for:

- (i) establishing a Community ship register (Euros);
- (ii) definition of a Community shipowner;
- (iii) applying the principle of freedom to provide services to maritime transport within Member States.¹

The Council held a broad exchange of views on the communication and the working document on 16 October 1989. Then, on 4 and 5 December 1989, it adopted conclusions on how to proceed.²

These conclusions were concerned with improving port control of vessels, simplifying multi-modal transport and setting up shipping consortia, building up research, mobility for vessels and seafarers and the implementation of Regulations (EEC) Nos 4055/86, 4056/86, 4057/86 and 4058/86.³ The Council agreed to continue proceedings on the above three proposals and the financial and fiscal measures planned by the Commission.

SYSTEM FOR THE COLLECTION OF INFORMATION IN THE FIELD OF CARGO SHIPPING

140. On 5 April 1989, the Council adopted a Decision extending until 31 December 1989 the system for collecting information in the field of cargo shipping.⁴ At the same time, the Council amended the basic Decision on the system, namely Decision 78/774/EEC concerning the activities of certain third countries in the field of cargo shipping, in order to adjust the Decision to the procedural provisions of the new Article 84(2) of the Treaty, as amended by the Single European Act.⁵

¹ OJ C 263, 16.10.1989.

² See press release 10311/89 Presse 230.

³ OJ L 378, 31.12.1986.

⁴ Decision 89/243/EEC (OJ L 97, 11.4.1989).

⁵ Decision 89/242/EEC (OJ L 97, 11.4.1989).

CONSULTATIONS WITH THE COUNTRIES OF WEST AND CENTRAL AFRICA

141. In line with the Council Decision of 19 October 1987,¹ consultations on free access to maritime traffic continued between the Community and the African member States of the Ministerial Conference of West and Central African States on Maritime Transport (CMEAOC).

APPLICATION OF REGULATION (EEC) NO 4057/86 ON UNFAIR PRICING PRACTICES IN MARITIME TRANSPORT²

142. On 4 January 1989, the Council decided to introduce a redressive duty on containerized cargo to be transported in liner service between the Community and Australia by the South Korean shipping company Hyundai.³

F — Research and technological development

Development of a common scientific and technical policy in the Community

143. In the course of 1989 the Council adopted 17 specific programmes and revised one programme, all under the second framework programme (1987 to 1991), allocating a total of ECU 1 293.30 million in commitment appropriations (see table in paragraph 144).

The Council also adopted 'common positions', which were forwarded to the European Parliament under the cooperation procedure, on the proposals for specific programmes concerning:

field of health: human genome analysis (1990 to 1991);

competitiveness of agriculture and management of agricultural resources (1989 to 1993).

Five Research Councils were held in 1989, on 14 March, 20 June, 18 September, 17 October and 15 and 16 December.

The last three Councils were chiefly devoted to preparatory work for the adoption of the third framework programme (1990 to 1994) in the field of research and S/T development.

¹ See 35th Review, paragraph 140.

² OJ L 378, 31.12.1986.

³ Regulation (EEC) No 15/89 (OJ L 4, 6.1.1989).

At its meeting on 15 and 16 December 1989, the Council worked out a political agreement on the proposal for a Decision concerning a third research and technological development framework programme (1990 to 1994) totalling ECU 5 700 million.

144. **Table of decisions
concerning specific Community research programmes
adopted by the Council during 1989**

Research field	Date of decision	Budget (million ECU)	Duration (years)	OJ
1. SPES	13.2.1989	6	4	L 44, 16.2.1989
2. Eclair	23.2.1989	80	5	L 60, 3.3.1989
3. Brite/Euram	14.3.1989	499.5	4	L 98, 11.4.1989
4. Joule	14.3.1989	122	3¼	L 98, 11.4.1989
5. Large-scale scientific and technical facilities and installations	14.3.1989	30	4	L 98, 11.4.1989
6. Decommissioning of nuclear installations	14.3.1989	31.5	5	L 98, 11.4.1989
7. Radiation protection	20.6.1989	21.2	2	L 200, 13.7.1989
8. Value	20.6.1989	38	4	L 200, 13.7.1989
9. Monitor	20.6.1989	22	4	L 200, 13.7.1989
10. Doses	20.6.1989	4	4	L 200, 13.7.1989
11. MAST	20.6.1989	50	3	L 200, 13.7.1989
12. Flair	20.6.1989	25	4	L 200, 13.7.1989
13. Eurotra (Revision)	20.6.1989	+ 5.5	until end of June 1990	L 200, 13.7.1989
14. Teleman	18.7.1989	19	4½	L 226, 3.8.1989
15. STEP-Epoch	20.11.1989	115	4	L 359, 8.12.1989
16. Raw materials and recycling	20.11.1989	45	3	L 359, 8.12.1989
17. Bridge	27.11.1989	100	4	L 360, 9.12.1989
18. Management/storage of radioactive waste	15.12.1989	79.6	5	L 395, 30.12.1989

Crest proceedings

145. At its 1989 meetings, the Scientific and Technical Research Committee (Crest) delivered its opinion on programmes proposed by the Commission to the Council in the following areas:

specific RTD programme in the field of marine science and technology (1989 to 1992) (MAST);

specific research programme in the field of health (1989 to 1991) (predictive medicine: human genome analysis);

specific RTD programme in the fields of raw materials and recycling (1990 to 1992);

specific RTD programme in the field of biotechnology (1990 to 1994) (Bridge);

two RTD programmes in the field of the environment (STEP-Epoch).

As instructed by the Council meeting on 18 September 1989, it drew up a report on Annex II (scientific and technical aspects) of the draft Council Decision on the third framework programme for Community activities in the field of research and technological development (1990 to 1994).

ECSC

146. In order to promote technological and economic research to improve coal production and valorization methods within the Community, at its meeting of 24 April 1989 the Council gave its assent, as requested by the Commission under the terms of Article 55(2)(c) of the ECSC Treaty, to the granting of financial aid, in the amount of ECU 27 000 000 from funds derived from the levies, to a research programme in the field of mining technology and product beneficiation; subject to the availability of budgetary resources, an amount of ECU 3 911 400 would be assigned to a supplementary programme. An amount of ECU 254 100 was reserved for the dissemination of information. The overall cost of the programme, including the amounts borne by the contractors, totals ECU 44 830 600; for the supplementary programme, the overall total is ECU 6 519 000.

External relations

INTERNATIONAL SCIENTIFIC AND TECHNICAL COOPERATION

147. On 23 January 1989, the Council adopted a Decision approving the conclusion by the Commission of the Agreement for cooperation between the EAEC and the Government of Japan in the field of controlled thermonuclear fusion.

On 2 March 1989, the Council noted the Commission's intention of signing the Supplementary Agreement renewing the Cooperation Agreement between the United States Department of Energy and the EAEC in the field of nuclear material safeguards research and development.

On 10 October 1989, the Council noted that the Commission intended to conclude the Agreement between the EAEC, represented by the Commission, the Government of Japan and the United States Department of Energy for and on behalf of the Government of the United States of America, for a programme of R&D on reversed field pinches, under the auspices of the IEA, pursuant to the provisions of the Treaty establishing the European Atomic Energy Community.

EUROPEAN COOPERATION IN THE FIELD OF SCIENTIFIC AND TECHNICAL RESEARCH

148. On 29 September 1989, the Council adopted the Decision on the conclusion on behalf of the European Economic Community of the framework Agreement for scientific and technical cooperation between the European Communities and the Republic of Iceland.

On 10 October 1989, the Council adopted Decisions concerning the conclusion of Cooperation Agreements between the EEC and the Republic of Finland and the Kingdom of Norway on research and development in the field of the protection of the environment.

On 30 October 1989, the Council adopted a common position with a view to the adoption of Decisions concerning the conclusion of cooperation agreements between the European Economic Community and the Republic of Finland, the Republic of Austria, the Kingdom of Norway, the Kingdom of Sweden and the Swiss Confederation on a programme plan to stimulate the international cooperation and interchange needed by European research scientists (Science).

On 28 November 1989, the Council adopted a common position with a view to the adoption of Council Decisions concerning the conclusion of cooperation agreements between the European Economic Community and the Republic of Finland, the Republic of Austria, the Kingdom of Norway, the Kingdom of Sweden and the Swiss Confederation in the field of medical and health research.

With regard to the COST framework, on 20 June the Council adopted a resolution reaffirming the importance of COST as a means of promoting European cooperation in the field of scientific and technical research.

G — Environment

149. In 1989 the Council held four meetings specially dealing with the Community's environmental protection policy: on 2 March, 8 and 9 June, 19 September and 28 November 1989.

At those meetings the Council approved a number of Regulations, Directives and Resolutions. Other acts, which were formally adopted at other Council meetings, were approved in substance following discussions at those meetings.

At those meetings, the Council also continued its work on other Commission proposals.

The Council was also responsible for full participation by the Community in certain international activities.

Regulations, Directives and Resolutions approved by the Council

150.

COUNCIL DIRECTIVE ON THE PREVENTION OF AIR POLLUTION FROM NEW MUNICIPAL WASTE INCINERATION PLANTS

The Council adopted this Directive on 8 June 1989.¹ The aim of the Directive is to ensure that new municipal waste incinerators comply with emission standards for certain pollutants in the interests of preventing air pollution.

COUNCIL DIRECTIVE ON THE REDUCTION OF AIR POLLUTION FROM EXISTING MUNICIPAL WASTE INCINERATION PLANTS

The aim of the Directive, adopted by the Council on 21 June 1989² is to ensure that existing municipal waste incineration plants are adapted to the state of the art so as to meet emission standards and thus reduce atmospheric pollution.

¹ OJ L 163, 14.6.1989.

² OJ L 203, 15.7.1989.

For that purpose, provision has been made for these plants to be adapted in two stages of five and 10 years, to the requirements laid down for new plants.

COUNCIL DIRECTIVE AMENDING DIRECTIVE 80/779/EEC ON AIR QUALITY LIMIT VALUES AND GUIDE VALUES FOR SULPHUR DIOXIDE AND SUSPENDED PARTICULATES

This Directive was adopted by the Council on 21 June 1989.¹ Its purpose, pending a more general revision of Directive 80/779/EEC, is to prevent any discrimination between the majority of the Member States which use the methods and limit values laid down in Annex I and the other Member States which have opted for those specified in Annex IV.

151.

COUNCIL DIRECTIVE ON PROCEDURES FOR HARMONIZING THE PROGRAMMES FOR THE REDUCTION AND EVENTUAL ELIMINATION OF POLLUTION CAUSED BY WASTE FROM THE TITANIUM DIOXIDE INDUSTRY

The purpose of this Directive, adopted by the Council on 21 June 1989,¹ is to reduce air and water pollution caused by waste from the titanium dioxide industry.

Its main provisions are to ban discharges of certain wastes into the sea, to reduce or eliminate other wastes, and to lay down quality objectives in accordance with an established timetable.

COUNCIL DIRECTIVE AMENDING, WITH REGARD TO EUROPEAN EMISSION STANDARDS FOR CARS BELOW 1.4 LITRES, DIRECTIVE 70/220/EEC ON THE APPROXIMATION OF THE LAWS OF THE MEMBER STATES RELATING TO MEASURES TO BE TAKEN AGAINST AIR POLLUTION BY EMISSIONS FROM MOTOR VEHICLES

The Council adopted this Directive on 18 July 1989.² Its purpose is to restrict air pollution caused by motor vehicles, an important source of atmospheric pollution.

To this effect the Directive lays down limit values for gaseous emissions from cars below 1.4 litres.

¹ OJ L 201, 14.7.1989.

² OJ L 226, 3.8.1989.

COUNCIL RESOLUTION ON THE GREENHOUSE EFFECT AND THE COMMUNITY

The Council, aware of the seriousness of the problem, adopted this resolution on 21 June 1989,¹ in which it emphasizes the global dimension of the greenhouse effect and the need for the Community and the Member States to play their full part in defining and implementing a global response to the problem.

152.

COUNCIL RESOLUTION ON GUIDELINES TO REDUCE TECHNOLOGICAL AND NATURAL HAZARDS

The purpose of this resolution, adopted by the Council on 16 October 1989,² is to reduce risks connected with dangerous industrial processes and the transport of dangerous substances and waste and the prevention of natural hazards.

Under the terms of the resolution, the Commission is requested to look into and take action on the prevention of such risks.

PROPOSAL FOR A COUNCIL DIRECTIVE ON THE CONTAINED USE OF GENETICALLY MODIFIED MICRO-ORGANISMS

On 8 June 1989 the Council agreed on this Directive, the purpose of which is to adopt control measures for the contained use of genetically modified micro-organisms (GMMs).

In particular, it provides for a system of notification and control of operations involving GMMs.

PROPOSAL FOR A COUNCIL DIRECTIVE ON THE DELIBERATE RELEASE INTO THE ENVIRONMENT OF GENETICALLY MODIFIED ORGANISMS

On 30 November 1989 the Council adopted a common position on this Directive, the purpose of which is to ensure the safe use of genetically modified organisms (GMOs) in the environment.

In particular, it provides for a system of notification and approval on a case-by-case basis according to the purpose of the release.

¹ OJ C 183, 20.7.1989.

² OJ C 273, 26.10.1989.

The main purpose of this Directive and the Directive on contained use is to help to create a consistent framework for regulating biotechnology at Community level.

Other Commission proposals examined by the Environment Council in 1989

153.

PROPOSAL FOR A COUNCIL REGULATION ON THE ESTABLISHMENT OF THE EUROPEAN ENVIRONMENT AGENCY AND THE EUROPEAN ENVIRONMENT MONITORING AND INFORMATION NETWORK;

PROPOSAL FOR A COUNCIL DIRECTIVE AMENDING AND SUPPLEMENTING ANNEX II TO DIRECTIVE 86/280/EEC ON LIMIT VALUES AND QUALITY OBJECTIVES FOR DISCHARGES OF CERTAIN DANGEROUS SUBSTANCES INCLUDED IN LIST I OF THE ANNEX TO DIRECTIVE 76/464/EEC;

PROPOSAL FOR A COUNCIL DIRECTIVE ON THE PROTECTION OF NATURAL AND SEMI-NATURAL HABITATS AND OF WILD FAUNA AND FLORA;

PROPOSAL FOR A COUNCIL DIRECTIVE CONCERNING THE PROTECTION OF FRESH, COASTAL AND MARINE WATERS AGAINST POLLUTION CAUSED BY NITRATES FROM DIFFUSE SOURCES;

PROPOSAL FOR A COUNCIL DIRECTIVE AMENDING DIRECTIVE 75/442/EEC ON WASTE;

PROPOSAL FOR A COUNCIL DIRECTIVE ON HAZARDOUS WASTE;

PROPOSAL FOR A COUNCIL DIRECTIVE ON THE FREEDOM OF ACCESS TO INFORMATION ON THE ENVIRONMENT;

PROPOSAL FOR A COUNCIL DECISION ON THE ACCEPTANCE OF AN OECD DECISION/RECOMMENDATION ON THE CONTROL OF TRANSFRONTIER MOVEMENTS OF HAZARDOUS WASTES.

International activities

TEXT ADOPTED BY THE COUNCIL

Convention on the control of transboundary movements of hazardous wastes and their disposal

154. On 4 November 1988 the Council authorized the Commission to participate in negotiating this Convention, which is very important in view of the problems which have arisen in connection with exports of wastes to developing countries which do not have adequate facilities to dispose of them.

The President of the Council signed this Convention in Basle on behalf of the Community on 22 March 1989.

Activities within the framework of international organizations

155. Throughout 1989 the representatives of the Member States and the Commission worked together on activities in the framework of the relevant international organizations or international conventions.

MONTREAL PROTOCOL ON SUBSTANCES THAT DEplete THE OZONE LAYER

The Community took part in negotiations in preparation for the revision of the Montreal Protocol in the framework of the meetings of the contracting parties which took place in Helsinki from 2 to 5 May 1989, in Nairobi from 21 August to 5 September 1989 and Geneva from 13 to 17 November 1989.

The work concentrated on the inclusion of new substances in the scope of the Protocol, the earliest possible elimination of the production and consumption of CFCs, methods of control and monitoring and cooperation with developing countries.

WASHINGTON CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES OF WILD FAUNA AND FLORA (CITES)

The Community participated as an observer in the seventh meeting of the Conference of the Contracting Parties held in Lausanne from 9 to 20 October 1989.

The work concentrated on the inclusion of new species in the scope of the Directive, the transfer of species from one Annex to the Convention to another (changing the level of protection) and on the interpretation and application of the Convention.

At the meeting, the Community supported *inter alia* the proposal to transfer the African elephant (*Loxodonta africana*) from Annex II to Annex I to the Convention (enhanced level of protection).

MEETING ON THE PROTECTION OF THE ENVIRONMENT (SOFIA, 1989)

156. The Community attended the meeting on the environment held in Sofia from 16 October to 3 November 1989 planned in the light of the Vienna Concluding Document on the follow-up to the Conference on Security and Cooperation in Europe.

The Community supported the Concluding Document of the Conference containing conclusions and recommendations on certain environmental matters, in particular the prevention and control of the transboundary effects of industrial accidents, the management of potentially hazardous chemicals and the protection of transboundary water courses and international lakes.

FIRST EUROPEAN CONFERENCE ON ENVIRONMENT AND HEALTH

On 4 December 1989 the Council authorized the Commission to participate, on behalf of the Community, in this Conference held in Frankfurt on 7 and 8 December 1989, at which the European Charter on Environment and Health was adopted.

H — Public health policy

Fight against cancer

157. On 13 November, the Council adopted a Directive on the labelling of tobacco products¹ (the common position having been adopted on 16 May) and its common position on the Commission proposal concerning the tar yield of cigarettes.²

On 18 July, the Council and the Ministers for Health, meeting within the Council, adopted a resolution on banning smoking in public places.³

On 13 November, the Council and the Ministers for Health agreed in principle on a draft Decision adopting a 1990 to 1994 action plan in the context of the 'Europe against Cancer' programme, pending receipt of Parliament's Opinion.⁴

¹ OJ L 359, 8.12.1989.

² 9695/89 SAN 129 Pro-Coop 168.

³ OJ C 189, 26.7.1989.

⁴ 11072/89 San 147.

Fight against AIDS

158. The Council and the Ministers for Health further developed their joint approach to this issue by adopting, on 16 May, conclusions concerning drugs and AIDS, awareness measures for health care personnel, the improvement of the general system for collecting epidemiological data, including the application of the new definition of AIDS cases, and future activities on AIDS prevention and control.¹

On 22 December, the Council and the Ministers for Health adopted a resolution on the fight against AIDS,² the aim of which is to reaffirm and specify, for the attention of all European citizens, the principles which should guide them in preventing and combating AIDS, and which provides for the stepping-up of the coordination of national and Community projects.

Fight against drugs

159. On 16 May, the Council and the Ministers for Health adopted a resolution concerning a European network of health data on drug abuse, and conclusions concerning the reliability of tests on body fluids to detect the use of illicit drugs.¹

On 13 November, the Council and the Ministers for Health adopted conclusions on the implementation of coordinated measures for preventing drug addiction and for coping with drug addicts.³

I — Education

Lingua programme

160. At its meeting on 22 May 1989, the Council approved a Decision (formally adopted on 28 July 1989) establishing an action programme to promote foreign language competence in the European Community (Lingua).⁴

The funds estimated as necessary for the programme during the five-year period, 1990 to 1994, amount to ECU 200 million.

¹ OJ C 185, 22.7.1989.

² 10048/89 San 137.

³ 9958/89 PV/Cons 70 San 136.

⁴ Council Decision 89/489/EEC of 28 July 1989 (OJ L 239, 16.8.1989).

In order to promote this quantitative and qualitative improvement in foreign language competence in the Community, measures will be taken which will help to promote the implementation of Member States' national policies and which are aimed at:

- (i) enabling practising foreign-language teachers to improve their professional competence, notably through periods of in-service training or professional experience in a Member State in which the language they teach is spoken,
- (ii) enabling students studying foreign languages and, where the education system allows, intending teachers of foreign languages in particular, to spend a recognized period of their initial training, of at least three months' duration, in a Member State in which the language they are studying is spoken,
- (iii) encouraging both sides of industry, professional organizations and in-service training establishments to set up facilities to develop the linguistic skills of the workforce; likewise, developing foreign language knowledge within the framework of initial and in-service vocational training,
- (iv) encouraging young people undergoing professional, vocational and technical education to participate in exchange programmes which are based on pedagogical projects,
- (v) promoting innovation in methods of foreign language teaching.

Financial aid will be provided to a structure (or structures) designated by each Member State to support the development of educational exchanges for young people undergoing professional, vocational and technical education, of a minimum duration of 14 days organized as part of a project of an educational establishment.

It is up to each Member State to define this and to narrow the scope or widen it to, for instance, all those over 16 years of age or all in post-compulsory education.

This financial aid will be granted by the Commission to cover the expenses relating to the preparation, execution and follow-up of such projects of educational establishments normally intended for pupils aged between 16 and 25.

Erasmus programme

161. On 14 December 1989 the Council adopted a Decision amending Decision 87/327/EEC adopting the European Community action scheme for the mobility of university students (Erasmus).¹

The main changes made to the Decision on the first phase of the programme (adopted on 14 May 1987) are as follows:

¹ Council Decision 89/663/EEC of 14 December 1989 (OJ L 395, 30.12.1989).

two additional parameters have been introduced for allocation among Member States of the appropriations intended for student grants: distance between Member States and cost of living. Furthermore, in addition to the allocation of a minimum of ECU 200 000 to each Member State, 5% of the annual grant budget will be kept in reserve and this will make it possible to correct any imbalances due to annual variations in demand:

multiannual financing (three years) for inter-university cooperation programmes will be introduced, in order to encourage long-term commitment on the part of universities;

the programme is made accessible to a broader range of students. This primarily concerns students who have completed a course of study in their country of origin and wish to embark on another course elsewhere in the Community;

various administrative adjustments making for more flexible functioning and better adaptation to the needs of universities.

The new provisions adopted by the Council will be applied as from 1 January 1991, with the exception of Action 2 concerning student grants, which will apply as from 1 July 1990.

The budget appropriation will be ECU 192 000 000 for the first three years of the five-year period covered by the new Decision.

Opening of Comett II to the EFTA countries

162. On 22 May 1989 the Council adopted a Decision authorizing the negotiation of the opening of Comett II to the EFTA countries. On 18 December 1989 the Council approved the outcome of the negotiations held in the intervening period and authorized its President to sign the proposed Agreements with the EFTA countries. The President of the Council then signed those Agreements on 19 December 1989.

The Decision on the definitive conclusion of the Agreements will be adopted by the Council once the European Parliament and the Economic and Social Committee have delivered their Opinions.

School provision for gipsy and traveller children and for children of occupational travellers

163. On 22 May 1989 the Council and the Ministers meeting within the Council approved two resolutions on school provision for

- (i) gipsy and traveller children,¹ and
- (ii) children of occupational travellers.¹

¹ OJ C 153, 21.6.1989.

Cooperation and Community policy in the field of education in the run-up to 1993

164. On 6 October 1989 the Council and the Ministers meeting within the Council approved conclusions on cooperation and Community policy in the field of education in the run-up to 1993.¹

These conclusions identify five objectives to serve as a basis for future cooperation activities and contribute to bringing Member States closer together in the field of education and training and thus to bringing about a Europe of knowledge and cultures over the next five years.

These objectives will make it possible to ensure greater continuity and consistency between the various cooperation activities carried out in an intergovernmental and Community framework and to assess these activities regularly. This cooperation must take account of the necessary interaction between Community policy and State policies in the field of education and training.

It must be based on two fundamental principles — respect for linguistic and cultural diversity and affirmation of the subsidiarity of Community activities — and must respect the fundamental powers of the Member States in matters of general education policy.

The five objectives shared by the Member States are identified in the conclusions as:

- a multicultural Europe;
- a mobile Europe;
- a Europe of training for all;
- a Europe of skills;
- a Europe open to the world.

The Education Committee is instructed to:

- (i) examine the proposals that the Commission will submit to the Council, in particular on the basis of its communication on medium-term guidelines,
- (ii) promote exchanges of information on the activities undertaken in the Member States to achieve the objectives adopted, in particular through the organization of regular meetings between those responsible at the political and administrative levels,
- (iii) examine other ways of improving procedures currently followed and developing future cooperation in the field of education, having regard to the need for effective management of cooperation activities and sound financial management, and to the need to recognize the limitations on resources.

¹ OJ C 277, 31.10.1989.

Youth card scheme in Europe

165. On 6 October 1989 the Council and the Ministers meeting within the Council approved conclusions in which they encouraged national initiatives, whether or not governmental, enabling young people to benefit from privileges, in particular in the areas of culture, sport, travel and accommodation, and the development of existing national youth card systems. They also agreed upon the need to coordinate national experiments, which might eventually lead to a European youth card, the implementing arrangements for which would be determined by each Member State.¹

Relations with Central and East European countries in the field of education and training

166. On 14 December 1989 the Council and the Ministers meeting within the Council approved conclusions on relations with Central and East European countries in the field of education and training.²

In those conclusions they noted that the Community and its Member States had expressed their desire to strengthen cooperation with Central and East European countries which intend to base themselves on the principles of democracy, pluralism and the rule of law.

They stated that the fields of education and training were of particular importance in this respect, both in order to develop closer links between the Community and those countries and in order to assist them in implementing the reforms initiated.

They also took note of the Commission's intentions in this area and stressed that the detailed arrangements to be adopted, on the basis of Commission proposals, would have to take the utmost account of the needs expressed by those involved, of the bilateral action already undertaken and of the aim of ensuring that the Community's effort had the greatest possible effect.

Finally, they emphasized that decisions should be taken as a matter of extreme urgency so that specific measures might be initiated as soon as possible, and stated that they would continue to monitor the introduction of these measures with the greatest attention.

¹ OJ C 277, 31.10.1989.

² OJ C 27, 6.2.1990.

Technical and vocational education and initial training

167. On 14 December 1989 the Council and the Ministers meeting within the Council approved conclusions¹ in which they stressed the importance of the issues at stake in technical and vocational education and training at national and European level and therefore asked the Commission to make an inventory as soon as possible evaluating all current Community programmes with a direct or indirect bearing on technical and vocational education and training (Petra, Eurotecnet, IRIS, etc.).

On the basis of that evaluation, the Commission would prepare proposals for measures to adapt and reinforce existing programmes and to implement a package of specific measures.

These measures could be geared to different groups or institutions, e.g. young people, teachers and instructors, educational administrators, training establishments and management and labour and trade-union bodies.

By promoting in this way mutual information on the various education systems, by facilitating comparability of qualifications and better mutual knowledge of professional qualifications while respecting the individuality of each country, by developing contacts between the various partners in the education system and by promoting a Europe with geographical and professional mobility, these measures could help prepare future workers, employees, technicians and managerial staff for the new requirements of the Europe of 1993.

Failure at school

168. On 14 December 1989 the Council and the Ministers meeting within the Council approved a resolution on measures to combat failure at school,¹ which stressed that such action constituted a priority in the educational policies of most of the Member States. The resolution concerned measures to encourage both exchanges of ideas and contacts between those responsible for education in the Member States to enable them to intensify their efforts.

J — Culture — Consumers

Culture

169. On 18 May 1989 the Council and the Ministers responsible for Cultural Affairs meeting within the Council adopted the following:

¹ OJ C 27, 6.2.1990.

A RESOLUTION CONCERNING THE PROMOTION OF BOOKS AND READING

In that resolution, they reaffirmed their will to cooperate in the promotion of all the elements of the book chain from the author to the reader and also approved eight specific actions, and instructed the Committee on Cultural Affairs to draw up and agree on the details of their implementation, including the financial aspect, as speedily as possible.

CONCLUSIONS ON BOOKS AND READING WITH A VIEW TO THE COMPLETION OF THE INTERNAL MARKET IN 1992

In those conclusions, the Council and the Ministers responsible for Cultural Affairs meeting within the Council:

- (i) with regard to taxation on books, noted that the Commission was reflecting on the possibility of revising its present proposals on indirect taxation and excise duties in a manner which would, *inter alia*, enable the lowest possible rate of VAT to be charged on books;
- (ii) with regard to the question of book prices and in the absence of an alternative system acceptable to all, decided for the same reasons in favour of continuing national policies intended to ensure a balance between the interests of authors, publishers, booksellers and the public, while complying with the rules of competition.

In the same context, they stressed the role of small and medium-sized publishing firms that cared about publishing quality books, in order to ensure the vitality, originality and pluralism of publishing.

In addition, they thought that all general action concerning books should also involve libraries and agreed on the importance of raising public awareness of books and reading by placing particular emphasis on the use of television for that purpose.

Consumers

170. During 1989 the Council devoted two meetings to consumer policy, on 1 June and 9 November 1989.

Its discussions focused mainly on the questions of consumer credit, future priorities for relaunching consumer protection policy and the proposal concerning the general safety of products, which is still being examined.

TEXTS APPROVED BY THE COUNCIL IN 1989

Proposal for a Council Directive amending Directive 87/102/EEC on the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit

On 21 June 1989 the Council adopted a common position on this Directive. This important text, which gives effect to Article 5 of Directive 87/102/EEC, is intended to prepare for the introduction throughout the Community of a single method for calculating the annual percentage rate of charge (APR) for consumer credit in order to encourage the establishment and functioning of the internal market and to ensure that consumers have a high degree of protection.

Council resolution on future priorities for relaunching consumer protection policy

This resolution, adopted by the Council on 9 November 1989,¹ indicates the priorities which the Council would like the Commission to observe in future action in this area, namely integrating the policy for the protection of consumer interests into the other common policies, improving consumer representation at Community level and promoting the general safety of goods and services.

Demonstration project with a view to introducing a Community system of information on accidents involving consumer products (Ehlass system)

On 1 June 1989 the Council recorded its agreement to the continuation of the demonstration project under conditions which would make it possible to ensure the representativeness of the information provided and to take a decision on the possible introduction of a Community system of information on accidents involving consumer products.

¹ OJ C 294, 22.11.1989.

Chapter IV — External relations and development cooperation

A — Commercial policy

GATT

171. The Uruguay Round negotiations continued intensively throughout 1989, concentrating firstly on completion of the mid-term review embarked on in Montreal¹ and then on the submission and analysis of substantive proposals by the various participants concerning all the topics covered by the negotiations.

All the participants reached a political consensus in the view that a further setback could dash any hopes of satisfactorily concluding the Uruguay Round and would thereby weaken the international multilateral trade system. Unremitting consultation by the Director-General of GATT, Mr Dunkel, accordingly made it possible at the April meeting of the Trade Negotiations Committee in Geneva to reach a series of agreements on the four topics left open after Montreal (agriculture, textiles, intellectual property and safeguards) and establish precise frameworks for negotiation. It was therefore possible to confirm the provisional agreements, already reached in Montreal, so that it was in fact the mid-term review which set the ball rolling for the final phase of the Uruguay cycle.

During assessment of the review, in April 1989 the Council reiterated the importance that it attached to the success of these negotiations, and said that it was vital to complete them at the final Ministerial Conference to be held from 3 to 7 December in Brussels. The choice of that city symbolized the Community's total commitment to the multilateral trade system, the existence and strengthening of which constituted the best defence against protectionist pressures and the tendency to resort to unilateralism and bilateralism.

The immediate effect of the success of the mid-term review was to enable certain participants, including the Community, to implement a series of practical concessions in the priority sector of tropical products. In addition, institutional improvements were introduced by way of experiment in the settling of disputes and the functioning of the GATT system.

¹ See 36th Review.

172. The review had made participants in the negotiations aware of the fact that only a limited time remained in which to complete this vast and complex undertaking, aimed not only at further liberalization of international trade but also at a general improvement in the competitiveness of economies through fair conditions of competition. Consequently, in July 1989 they finalized a strict work plan involving several stages: between then and the end of 1989, submission of all substantive proposals by participants; from the beginning of 1990 the start of the concrete phase of actual negotiations with the objective between then and the summer of 1990 of defining the main features of the 'final package' in a way which pinpointed the major political options to be confirmed or decided on by the Ministers in Brussels in December 1990.

At its meeting on 20 December 1989, the Trade Negotiations Committee was able to note that the first stage had in the main been completed, with industrialized and developing countries actively participating in discussions on both traditional topics and new areas (particularly services). The Community had submitted substantive proposals on all topics within the prescribed deadlines. Most of the Community's positions on topics as varied as textiles, safeguards, subsidies, anti-dumping rules and new topics were finalized in the course of discussion by the Article 113 Committee. However, owing to its particular political sensitivity, the Community's contribution on agriculture was also discussed in detail by the Agriculture Council and the General Affairs Council on 12 and 19 December 1989 respectively. The unanimous agreement reached at those Councils reflects the desire of the Community that negotiations should result in a substantial and progressive reduction in overall agricultural support while defining the limits to be imposed on this operation.

173. Analysis of the various proposals submitted shows that although progress has been made and certain points of agreement have emerged, it will be necessary in coming months to deal with numerous and sometimes fundamental areas of disagreement on key topics of negotiation both between the industrialized countries themselves and between industrialized and developing countries. The coming months will be decisive in overcoming the considerable current differences between individual positions in order to itemize what is essential in these negotiations and embark on a process of mutual concession with the aim of reaching balanced compromises, while respecting the principles of consensus and universality on which the negotiations are founded.

At the same time as negotiations on the Uruguay Round, the Community participated, as in previous years, in all the various activities connected with the routine management of GATT. As in 1988, those activities were largely dominated by application of the procedure for settling disputes.

Finally, the Community played an active part in the first review of commercial policies which was introduced as part of the improvements to the functioning of GATT decided on during the mid-term review and concerned three countries in December 1989: Australia, Morocco and the United States.

Sectoral problems

IRON AND STEEL INDUSTRY

174. As in previous years, the external activities of the Community have been directed towards the application of the decisions taken by the Council in January 1989 concerning the arrangements with third countries in the steel sector.¹

Furthermore, the Community concluded an agreement with the United States concerning steel exports to this country and a more general consensus aimed at establishing a discipline for subsidies and connected measures in the steel sector.²

Relations between the United States and the Community had been governed by the Steel Arrangement negotiated, on the last occasion, in 1985. Since this Arrangement expired on 30 September 1989, the United States proposed to have it renewed. Together with its proposal for a renewal, the United States also presented a proposal to conclude a 'Consensus' aimed at establishing disciplines in the areas of subsidies, market access and export credits, which should be subscribed to by the same countries as those which concluded voluntary restraint agreements with the United States.

Taking into consideration the developments in world steel trade and consumption, the Community was not of the opinion that a renewal of the existing Steel Arrangement was called for. However, taking into account improvements in the United States' position during exploratory talks with the Commission, the Council on 6 October 1989 adopted directives which authorized the Commission to open negotiations with the United States in the steel sector.

On the basis of these directives, the Commission negotiated an extension until 31 March 1992 of the voluntary restraint agreement with the United States. This extension will be the last, and constitutes the final stage in the process of liberalizing trade in the steel sector. The Community was able to obtain an increase in the volume of the steel products it may export to the United States market. However, it was not possible to obtain this increase for all categories, notably oil pipes (OCTG).

A number of improvements have also been made to the management aspects of the Arrangement, particularly as regards the flexibility clauses. However, it was not possible to carry over to the new Arrangement quantities unused under the preceding one.

As regards the Consensus, the negotiations aimed to establish disciplines which would enable distortions of trade to be avoided. The Commission was able to per-

¹ See 36th Review.

² OJ L 368, 16.12.1989.

suade the United States to use the existing Community Code on Subsidies to the steel industry as a basis. The Community Code will thus become a model for the United States in its negotiations with other partners as well.

The text of the Consensus contains clauses limiting its validity to March 1992 and is without prejudice to the Uruguay Round negotiations or to any more general results likely to materialize therefrom. The rights of the Community under GATT, including the Code on Subsidies and Countervailing Duties, are also fully safeguarded and any recourse to unilateral measures for the settlement of disputes arising in connection with steel is excluded.

TEXTILES

175. The main element in the textiles sector during 1989 was the conclusion of an Agreement with the USSR.¹ This Agreement was negotiated by the Commission on the basis of negotiating directives adopted by the Council on 12 June 1989. Following its adoption by the Council on 8 December 1989 this Agreement, as far as the MFA products are concerned, replaces the existing autonomous regime and it will remain in force for three years from 1 January 1990. Although the new Agreement is *sui generis*, its structure is based on previous Agreements with other East European countries and China: on the one hand, the Community opens up import quotas for certain textiles and clothing products from the USSR, and on the other hand, the USSR undertakes to supply certain quantities of textile raw materials to the Community industry and to open up further its market for Community exporters.

Concerning other partners, the Council has approved the renewal of an arrangement expiring in 1989 as well as the modifications to be made to certain agreements to take account of the consequences of the changed classification resulting from the introduction of the Harmonized System.

SHIPBUILDING

176. In October 1989, the United States took an initiative within the OECD aimed at opening negotiations for the elimination of subsidies in the shipbuilding industry.

This initiative has to be seen against the background of an internal undertaking given by the United States Administration following a complaint lodged under Section 301 of the Trade Act against the Federal Republic of Germany and certain other countries (Japan, South Korea and Norway). The United States shipbuilding industry agreed to withdraw the complaint in return for an undertaking by the Administration to negotiate by spring 1990 an international arrangement for the elimination of sub-

¹ OJ L 397, 30.12.1989.

sities, and on the understanding that, if no significant progress was made, proceedings under Section 301 would be continued.

The United States' initiative was welcomed by the Community as it responded to a need which had already been felt by the Community itself, but the content of the proposals made by the United States within the OECD framework did not seem to cover adequately all the many aspects of the issue which required consideration in this context. With a view to submitting comments to the OECD for further negotiations, the Council on 14 November 1989 drew attention to the connection between industrial structures and restoring conditions of competition. It stressed in particular that a policy of restoring normal conditions of competition must cover all forms of both direct and indirect support and that Community policy was particularly transparent in this connection.

Calling for international action, the Council emphasized that, besides the United States, any discussions must also include Japan and Korea.

Common commercial policy instruments

177. As part of management of the anti-dumping rules in force (Council Regulation (EEC) No 2423/88 of 11 July 1988,¹ the Council expressed an opinion on a number of proposals from the Commission, the majority of which concerned the establishment of definitive anti-dumping duties on products imported into the Community such as copper sulphate, urea, videotape recorders and video cassettes.

In accordance with its Decision 69/894/EEC, the Council, acting on Commission proposals, authorized the extension or tacit renewal for one year of a number of trade agreements concluded by the Member States with non-member countries. It also approved the tacit renewal or extension of certain friendship, trade and navigation treaties and similar agreements concluded by Member States with non-member countries.

Moreover, in application of Council Regulation (EEC) No 3420/83 of 14 November 1983 on import arrangements for products originating in State-trading countries, not liberalized at Community level,² the Council adopted Decision 89/607/EEC of 6 November 1989 on import quotas to be opened by the Member States in respect of State-trading countries in 1989.³

¹ OJ L 209, 2.8.1988.

² OJ L 346, 8.12.1983.

³ OJ L 354, 4.12.1989.

Fairs and exhibitions

178. As in previous years, the Council's subordinate bodies helped to prepare the participation of certain Member States and the European Commission in fairs and exhibitions. The aim was to present a consistent image of the Community at these events, e.g. by grouping together the pavilions or stands of the Member States and the Community.

On 29 May 1989 the Council agreed to the Commission's participation in the 1992 Seville World Fair, grouped together with the Member States, and for that purpose approved an overall budget allocation of ECU 11.7 million spread over four years (1989 to 1992). The relevant Council Working Party also finalized the planned layout and decoration of the Community site at the Seville World Fair, involving a line-up of pavilions of the Twelve and the European Commission along the Avenue of Europe.

Miscellaneous

GOOD LABORATORY PRACTICE

179. In January 1989 the Council authorized the Commission to participate on behalf of the Community in OECD negotiation of a decision/recommendation on compliance with the principles of good laboratory practice. Following the conclusion of the OECD negotiations, the Council decided on 28 July 1989¹ to approve the draft decision/recommendation of the OECD Council on behalf of the Community.

In November 1989 the Council also authorized the Commission to negotiate agreements on behalf of the Community with certain third countries concerning the mutual acceptance of data obtained during the non-clinical testing prescribed by the laws of the country of destination or tests deemed to be equivalent by that country and carried out in accordance with good laboratory practice with a view to the placing of chemical products on the market.

FIGHT AGAINST DRUGS

180. Following the opening for signing on 20 December 1988 of the United Nations Convention against illicit traffic in narcotic drugs and psychotropic substances, the Council, on 1 June 1989, authorized the signing of the Convention on behalf of the European Economic Community. The signing took place in New York on 8 June 1989.

¹ OJ L 315, 28.10.1989.

OVERSEAS TERRITORIES

181. On 21 November 1989 the Council, the Commission and the representatives of Denmark, France, the Netherlands, Portugal and the United Kingdom adopted a statement on the procedure to be followed at international conferences in order to reconcile the differing interests of the European Community and certain territories of the Member States. The main feature of the statement is an arrangement designed to provide a pragmatic solution to certain problems which have emerged during recent negotiations.

B — Relations with the industrialized countries

Relations with the EFTA countries

182. In 1989 two ministerial meetings of major importance were held in Brussels between the Community and its Member States and the EFTA countries.

At their first meeting on 20 March 1989, the Ministers confirmed their desire to continue the current vast programme of cooperation involved in the creation of the European Economic Space provided for in the Luxembourg Declaration and noted that a dialogue had begun between the Commission and the EFTA countries concerning ways of extending cooperation and means of achieving more effectively structured relations.

At their second meeting on 19 December 1989, the Ministers noted that talks between the Commission and the EFTA countries, speaking with one voice, had led to broadly convergent analyses of the scope and content of a renewed framework for relations between the Community and all the EFTA countries together. They decided to embark on formal negotiations as soon as possible during the first half of 1990 and made it their aim to complete those negotiations with all speed.

183. The negotiations between the Community and the EFTA countries, acting as a single interlocutor, will have as their aim the conclusion of a comprehensive agreement covering both the substantive and the legal and institutional aspects mentioned below.

That agreement should ensure the greatest possible mutual interest for the parties concerned as well as the global and balanced character of their cooperation and should in particular fulfil the following objectives:

- (i) to achieve the free movement of goods, services, capital and persons, on the basis of the relevant *acquis communautaire*, to be identified jointly; exceptions, justified by considerations of fundamental interests, as well as transitional

arrangements, could be matters for negotiation; equal conditions of competition should be ensured;

- (ii) to strengthen and to broaden cooperation in the context of the Community's actions in other areas, such as research and development, the environment, education, working conditions and social welfare, consumer protection, programmes for small and medium-sized enterprises and tourism;
- (iii) to reduce economic and social disparities between their regions.

184. The agreement should *inter alia* respect in full the decision-making autonomy of the parties.

In accordance with this principle, negotiations should permit provision for:

- (i) procedures which effectively ensure that both parties' views are taken into account, so as to facilitate the reaching of a consensus in decisions relating to the European Economic Space;
- (ii) appropriate formulas to ensure the direct effect of common legislation, surveillance of its implementation as well as judicial monitoring and the proper functioning, in general, of the agreement.

The Ministers considered moreover that a political dialogue could be envisaged, including at the ministerial level.

185. In March and May 1989 the Council concluded Additional Protocols to the Agreements between the EEC and the EFTA countries consequent upon the accession of Spain and Portugal to the Community with a view to EFTA first suspending customs duties of not more than 2% and then totally suspending customs duties on imports into the EFTA countries of industrial products originating in Spain.

The Council concluded with the EFTA countries Additional Protocols to the Agreements between the EEC and those countries, which eliminate and prevent quantitative restrictions on exports or measures with equivalent effect and which will enter into force on 1 January 1990.

In December 1989 the Council signed Agreements with the EFTA countries on trade electronic data interchange systems (Tedis).

On 19 December 1989 the Council signed an Agreement with the EFTA countries introducing a procedure for an exchange of information in the field of technical regulations with the aim of preventing the creation of technical barriers to trade.

186. On 17 July 1989 Austria submitted applications for accession to the three European Communities. On 28 July 1989 the Council decided to implement the procedures laid down in the Treaties for consultation of the Commission. At that time, the Council took note in a statement in its minutes of the points made in letters from

the Austrian Government in connection with Austria's status of permanent neutrality. This question will be examined by the Community's bodies in the context of existing institutional provisions. The examination will be made when the time comes, keeping in mind the relevant provisions of the Single Act and in particular Article 30(5) thereof.

ANDORRA

187. A Declaration annexed to the Act of Accession of Spain and Portugal to the Community states that an arrangement governing trade relations between the Community and the Principality of Andorra will be finalized within a period of two years of the date of entry into force of the Act of Accession and will be intended to replace the national arrangements hitherto in force.

At its meeting on 20 March 1989 the Council, on the basis of a recommendation forwarded by the Commission on 21 December 1988, adopted directives for the negotiation with the Principality of Andorra of an Agreement in the form of an exchange of letters. That Agreement provides for the creation of a customs union with the Principality in the industrial sphere; it is intended to eliminate the discrepancies which still exist between the national arrangements applicable to Andorra and to replace them by uniform Community arrangements, while taking account of the specific situation of Andorra and making it possible to safeguard Andorra's economic and commercial interests.

At its meeting on 19 December 1989 the Council was informed by the Commission of the completion of negotiations with the Principality of Andorra. Once the Commission report and the draft Agreement have been officially forwarded, the Council will be required to approve the latter and decide on the legal basis to be adopted with a view to conclusion of the Agreement by the Community.

Relations with non-European industrialized countries

UNITED STATES

188. Since the new United States Administration came into office at the beginning of the year there has been an improvement in the general climate of relations with that country. This improvement was noted with satisfaction by the European Council meeting in Madrid at the end of June.

The concerns expressed in the past in the United States about the completion of the single market have given way to a better understanding of the positive implications which a single European market will have for international trade as a whole. The US

Administration has shown moderation towards the Community in implementing the Trade Act, especially when identifying the countries to be taken into consideration as a matter of priority under Section 301.¹ Negotiated arrangements have been found for renewing the Steel Arrangement and for the Agreement on shipbuilding.²

189. Following the changes in Eastern Europe the new perception of mutual relations has been consolidated. In confirming the importance which the Community attaches to strengthening cooperation relations with the United States, the Council has welcomed the renewed support which President Bush has given to the process of European integration and the recognition accorded to the role of the Community as a factor for stability in the developments currently taking place in Europe.

But the Community is still concerned at the possibility of recourse to unilateral measures which the Trade Act allows for resolving trade problems, and at the automatic machinery to which the US Administration is bound. The Council believes that such measures are a violation of the GATT rules and are jeopardizing the multilateral trade system; it has on several occasions denounced this contradiction in US policy, whereby the United States expresses support for the Uruguay Round and the multilateral trade system while conducting a policy based on unilateral measures. The Council believes that the new climate of cooperation in mutual relations should also have a favourable impact on bilateral trade relations.

Hormones

190. When the United States' unilateral retaliation measures came into effect at the beginning of the year,³ the Council asked the Commission to initiate proceedings in GATT to have these measures declared illegal under the rules of the General Agreement. It also invited the Commission to continue its efforts on a bilateral basis with the US authorities to seek an amicable settlement of the dispute, particularly following requests from US producers and breeders for permission to export to the Community beef and veal which met the criteria laid down in Community legislation.

In the light of these requests, a joint task force was set up to find pragmatic arrangements complying with the legislation of both sides. The discussions held in this context led to the introduction in the United States of a Community system for certifying meat without hormones intended for export to the Community. The United

¹ Under this section of the Trade Act the US Administration is required to record any violations of international undertakings or unfair practices impeding US exports and to take sanctions against the other countries concerned should the United States fail to obtain satisfaction after a certain period of time.

² See paragraph 174 of this Review.

³ These measures involve the imposition of a 100% charge on a number of agricultural products from the Community, including preserved tomatoes, in respect of trade worth a total of about USD 100 million.

States said it would reduce its measures as and when US meat exports to the Community picked up again. There was some relaxation of the restrictive measures on the US side, but given the small scale of the trade concerned the Council in December repeated its request that the US authorities should finally bring this situation to an end.

Soya

191. A procedural agreement was reached between the Community and the United States to re-open the GATT talks on the basis of the complaints filed by the United States concerning the premiums and subsidies granted by the Community to the processors of oilseeds intended for animal feed (soya, sunflower, etc.) and the complaints filed by the Community concerning the US restrictions on the import of sugar and sweetened products (waiver).

Having found that Community aid was granted for processing oilseeds of exclusively Community origin, the GATT 'soya panel' concluded in December that such aid introduced an element of discrimination against imports from third countries and was therefore contrary to the GATT. But the panel took the view that the Community had to have a reasonable period of time to bring its legislation into line with the General Agreement and recommended that in the mean time the contracting parties concerned should refrain from taking any unilateral retaliation measures.

The Council expressed its willingness to accept these conclusions and to adjust the Community's regulations as part of the implementation of the results of the Uruguay Round, aid in the agricultural sphere being an important topic of those negotiations. The Council said that, subject to the United States agreeing to the panel's conclusions, its acceptance would be without prejudice to any comments the Community might make on the arguments set forth in the panel's report, and on condition that the United States abandoned the use of unilateral measures against the Community in accordance with the panel's conclusions and in compliance with GATT rules.

JAPAN

192. The Council has continued to monitor closely the relations between the Community and Japan. At its meeting in October it noted the progress which had been made in trade relations with Japan, although it also observed that the trade balance was still causing concern to the Community.

Despite the strong growth of Community exports to Japan the trade imbalance with that country is still very acute and the deficit has risen from ECU 21.5 to 24.1 million. Faced with this situation, the Council has supported the Commission's efforts to secure further measures for the opening up of the Japanese market (especially in the sectors of processed agricultural products, fisheries, leather and legal and financial

services) as well as the necessary adjustments to certain structural features of the Japanese economy, such as the systems of distribution.

For its part, Japan has raised the question of the discriminatory quantitative restrictions which some Member States are still applying to that country. Following a series of talks, a pragmatic agreement was reached in March 1989 between the Commission and the Japanese authorities involving annual consultations on the restrictions to be abolished each year, although no precise programme or timetable was decided. As a result of that agreement, the Council adopted on 28 July a first series of deletion relating to a number of products which varied according to Member State.¹

There was consultation at the end of the year on the deletions to be carried out in 1990. With this second series of deletion the residual quantitative restrictions still applied to Japan will have been reduced to about a third of their original number.

In the motor vehicle sector — a sensitive issue in relations with Japan — the Council received a Commission communication in December analysing the Community industry's prospects in the context of the completion of the single market and indicating the measures which the Commission was considering in various fields covered by internal policies (industrial, social, fiscal, etc.) and by the external trade policy. The Council held a preliminary discussion on this subject and said it would establish at a later date an overall position in response to the need for a global approach which had been emphasized in the Commission communication.

OTHER COUNTRIES

193. With other industrialized countries, trade relations are conducted mainly in the multilateral framework of GATT.

With particular reference to Canada, it may be noted that the Agreement concerning trade and commerce in alcoholic beverages, initialled in December 1988, was officially concluded in February 1989.² This Agreement — following up the conclusions of a GATT panel which issued a favourable opinion on the positions defended by the Community — provides for the elimination of a whole range of discrimination applied at provincial level in Canada against wine, beer and spirits imported from the Community.

¹ OJ L 230, 8.8.1989.

² OJ L 71, 15.3.1989.

C — Relations with the countries of Central and Eastern Europe

194. The Community's activity in its relations with the countries of Central and Eastern Europe underwent major developments in the course of 1989 at a time when those countries were faced with considerable upheavals, especially during the second half of the year. Most of them embarked upon a process of political and economic reforms aimed at establishing a pluralist democracy and a market economy.

The Community's policy towards these countries has developed on several levels, beginning on a traditional level with the gradual introduction of a network of trade and cooperation agreements ('first-generation agreements'). Two new agreements were concluded with Poland and the USSR and negotiations were started with Bulgaria. With the accelerating process of reforms in Poland and Hungary and the need to support those reforms, this was followed by the Arche Summit of the seven industrialized nations in Paris from 14 to 16 July 1989, when it was decided to provide Poland and Hungary with assistance for restructuring their economies. The Commission was instructed to coordinate the aid supplied by 24 western countries belonging to the OECD (the 'Group of 24'). The Community thus had a key role to play in the Group and it adopted a whole series of unprecedented measures on an exceptional scale ('Operation Phare'), which sometimes went beyond what had recently been negotiated in the trade and cooperation agreements.

Poland

195. The Agreement between the Community and the Polish People's Republic on trade and commercial and economic cooperation was signed in Warsaw on 19 September and came into force on 1 December.¹

With an initial duration of five years, it covers trade in industrial and agricultural products except for ECSC products and those already covered by specific sectoral agreements (textile and agricultural).

In the field of trade, provision is made for a gradual three-stage liberalization by the Community of the specific quantitative restrictions (i.e. those maintained under the Protocol for Poland's accession to the GATT), the aim being to eliminate them totally by 31 December 1994. The Agreement contains a general safeguard clause providing for the possibility of ultimate recourse to GATT arbitration in the event of continuing disagreement.

¹ OJ L 339, 22.11.1989.

The Agreement contains an initial list of agricultural concessions relating to about a dozen products of mutual interest.

The Agreement lays down the objectives of commercial cooperation, i.e. to promote and diversify trade on a reciprocal and non-discriminatory basis, establish customs cooperation, etc., as well as certain arrangements to be undertaken mainly by the Polish side to make it easier for businessmen to have access to and operate in each of the markets.

The Agreement sets out the framework in which economic cooperation should develop. It states the objectives of such cooperation, specifies some of the procedures which could be involved in it, and provides an initial illustrative list of sectors of particular interest to both parties.

Immediately after the Agreement came into force on 1 December, the joint committee provided for in the Agreement met in Brussels on 4 and 5 December to review the situation, especially as regards the commercial and economic cooperation part of the Agreement under which a large number of projects have been submitted and are now being studied.

USSR

196. The trade and cooperation Agreement, the first agreement between the Community and the Soviet Union, was signed in Brussels on 18 December. It gives practical form to the new dimension in relations between the Community and the USSR.

The Council adopted negotiating directives on 12 June, following which three negotiating sessions were held, on 19 and 20 July, 9 and 10 October and 22 to 25 November. The speed of the negotiations testified to the desire of both parties to reach an early conclusion.

The Agreement runs initially for 10 years and applies to industrial and agricultural products except for ECSC products and products from the textiles and clothing sectors which have been the subject of an agreement negotiated separately.¹

Regarding access to the Community market for Soviet products, the Community has undertaken to gradually liberalize existing quantitative restrictions between now and 31 December 1995. But provision has been made to the effect that before 30 June 1992 — i.e. shortly before the single market is established — the joint committee provided for in the Agreement will examine the list of quantitative restrictions still in force.

¹ See also paragraph 175 of this Review.

The Agreement contains a safeguard clause setting out the provisions on the subject agreed within GATT together with the exceptions which are allowed on security grounds.

As regards commercial cooperation, the Agreement lays down its objectives and specifies certain practical means of action. For its part, the Soviet Union has undertaken to ease the conditions under which Community businessmen operate on Soviet territory and to allow them more direct access to their Soviet counterparts.

Economic cooperation is an essential part of this Agreement, which contains provisions setting out the framework for the future development of such cooperation, i.e. the objectives and specific implementing arrangements. The Agreement also contains a list of sectors of particular interest to both parties, including those within the fields of nuclear energy and nuclear safety.

Bulgaria

197. On 20 February the Council adopted negotiating directives for the conclusion of an agreement on trade and commercial and economic cooperation with Bulgaria.

Two negotiating sessions with Bulgaria took place on 6 and 7 April and 29 and 30 May. These made it possible to clarify positions and define the problems which still had to be overcome if progress was to be made towards an agreement. However, negotiations were suspended in the light of the situation in Bulgaria, with particular reference to the problems of the Turkish minority. After the events in Bulgaria in November and December, new contacts at technical level were made with the Commission with a view to a successful resumption of the negotiations.

Romania

198. Because of Romania's failure to honour its human rights commitments under the Helsinki Final Act, the Council and the Commission decided on 24 April to suspend the negotiations which were being held with Romania for a trade and cooperation agreement.

After the fall of the Ceausescu regime at the end of December, the Commission immediately sent emergency medical and food aid to the Romanian people.

GDR

199. The Commission had already held exploratory talks with the GDR authorities with a view to negotiating a trade agreement. Following the events in the

GDR in October and November, the new authorities stated in the course of a fresh round of talks with the Commission that they intended to expand what had originally been conceived as simply a trade agreement into an agreement providing for a broad measure of economic cooperation.

In accordance with the conclusions of the Strasbourg European Council,¹ the Council adopted negotiating directives on 22 December with a view to concluding a trade and commercial and economic cooperation agreement of this type.

Hungary

200. The second meeting of the EEC-Hungary Joint Committee set up by the trade and cooperation Agreement took place in Brussels on 29 and 30 November. The meeting reviewed the implementation of the Agreement and the progress which had been made under the operation by western countries to assist in Hungary's economic restructuring.²

Czechoslovakia

201. Following the signing of the Agreement on 19 December 1988 and its entry into force on 1 April,³ the first meeting of the consultation body was held in Prague on 1 and 2 June. A programme of activities for 1989/90 was drawn up and certain practical difficulties arising in trade between the two parties were examined.

On 22 December the Council adopted Regulation (EEC) No 4061/89⁴ implementing certain provisions of the Agreement.

Comecon

202. As regards relations between the Community and the CMEA, talks were held with the relevant Commission departments on 26 and 27 April and 13 and 14 November. These dealt mainly with an exchange of information in specific sectors (primarily the environment).

¹ 'The Council will, as soon as possible, instruct the Commission to negotiate a trade and cooperation Agreement with the GDR to be concluded during the first half of 1990.'

² See paragraph 203 of this Review.

³ OJ L 88, 31.3.1989.

⁴ OJ L 390, 30.12.1989.

Assistance for the economic restructuring of Poland and Hungary

203. In their declaration on East-West relations the seven most industrialized countries meeting at the Arche Summit in Paris from 14 to 16 July acknowledged that the political changes occurring in Poland and Hungary would be difficult to follow up without economic progress. They stated their willingness to support this process and to envisage, in the light of requirements and in a coordinated manner, economic aid to transform and open up those countries' economies on a lasting basis.

To ensure that these support measures were more effective and also mutually reinforcing, the Commission was instructed to take the necessary initiatives in agreement with the Member States and with the involvement of all the countries concerned.

A first meeting of the 24 western countries belonging to the OECD (Group of 24) began in Brussels on 1 August under the chairmanship of the Commission. It was decided that the western initiatives had to cover the following three aspects:

- (i) supply of food products to Poland;
- (ii) new opportunities for trade and commercial cooperation for Poland and Hungary;
- (iii) broad economic assistance for both countries including financial aid and economic cooperation.

It was also agreed that certain interested international organizations such as the IMF, the World Bank, the Club of Paris and the OECD should be involved in the work of the Group of 24.

More especially as regards the Community, and in agreement with the Polish and Hungarian authorities, which submitted very detailed memoranda, the Council responded favourably to the 'Action plan for coordinated aid to Poland and Hungary' which the Commission submitted in early October. The plan comprises measures to be taken by the Community and by the other countries in the Group of 24.

As well as emergency food aid for Poland, the Council adopted a series of measures to improve access to the Community market for Polish and Hungarian products and a number of financial measures; the principle of measures in the field of vocational training was established by the European Council in Strasbourg. All these measures were adopted by the Council at its meetings in November and December.

204. Regarding improved access to the Community market, the following specific measures were decided on:

- (i) the specific quantitative restrictions still in force were to be abolished ahead of the schedules laid down in the trade and cooperation agreements with Poland and Hungary;¹

¹ OJ L 326, 11.11.1989.

- (ii) all the quantitative restrictions applied to Poland and Hungary by the Member States were to be suspended for one year;¹
- (iii) the system of generalized preferences was to be extended to Poland and Hungary and the system was to include agricultural products of particular importance as regards exports.² However, as regards agricultural products subject to an import levy, a reduction in the levy was granted for countries benefiting from the GSP.

All these commercial measures, which will take effect on 1 January 1990, should enable Poland and Hungary to penetrate the Member States' markets unimpeded. Also, the Council has begun considering an improvement to the textiles agreements and the possibility of negotiating agreements under the ECSC Treaty.

205. On the financial level, the Council decided on 18 December to grant aid amounting to ECU 300 million for 1990³ to finance restructuring measures — particularly in the private sector — and to implement the cooperation measures provided for in the two countries in question.

Following the request from Poland and Hungary for access to European Investment Bank loans, the Council asked the Bank to agree to loans totalling ECU 1 000 million over three years. These will be directed particularly towards investment projects requiring a contribution in foreign currency, e.g. to set up joint ventures in those countries.

The European Council meeting in Strasbourg on 8 and 9 December 1989 took a number of important decisions to help the countries of Central and Eastern Europe, namely:

- (i) the setting-up in 1990 of a European Vocational Training Foundation;
- (ii) the creation of educational programmes similar to those existing in the Community such as Erasmus, Comett, Lingua, etc. and based on the Community's experience in this area;
- (iii) the creation of a European Bank for Reconstruction and Development to promote, in consultation with the IMF and the World Bank, productive and competitive investment, to reduce, where appropriate, any risks related to the financing of their economies, to assist the transition towards a more market-oriented economy and to speed up the necessary structural adjustments. The Member States, the Community and the EIB will have a majority holding and other countries, in particular non-member countries in the OECD, are invited to participate. Negotiations should begin in January 1990.

¹ OJ L 362, 12.12.1989.

² OJ L 383, 30.12.1989.

³ OJ L 375, 23.12.1989.

206. The European Council also decided to help Poland by renewing emergency aid for the supply of agricultural products and by participating in the creation of a Fund of USD 1 000 million for stabilizing the zloty; more than half that sum would be contributed by the Twelve. It referred to the need to grant Hungary, after agreement with the IMF, a structural adjustment loan of the same amount.

The Council stated that if necessary it was prepared to extend this aid to other countries of central and eastern Europe.

At the meeting in Brussels on 13 December Ministers of the Group of 24 took the decision in principle to extend coordinated aid to Bulgaria, Czechoslovakia, the German Democratic Republic and Yugoslavia subject to those countries carrying out the necessary political and economic reforms.

D — Development cooperation

Development policy in general

207. During 1989 the Council held two meetings devoted to development cooperation — on 16 May and 21 November — when among other things it discussed and adopted resolutions or conclusions on the following questions.

COORDINATION IN SUPPORT OF STRUCTURAL ADJUSTMENT IN THE ACP STATES

At its meeting on 16 May, the Council noted that support for structural adjustment in the ACP States would continue to be an important feature of the development policies of the various donors for longer than originally expected, and adopted a resolution on coordination in this matter on the one hand between the Commission and the Member States in the recipient States and in Brussels, and on the other hand between the Community and the World Bank/IMF.

The resolution lays down certain arrangements for such coordination both at Community level and as regards the other donors. It provides that, at the request of the Commission or a Member State, informal meetings may be convened in order to:

- (i) facilitate exchanges of views and information on each Member State's experiences, perceptions and intentions in regard to the issue of adjustment in the various ACP States;
- (ii) help as far as possible to draw up, country by country, a coherent Community approach to the process of adjustment and thus make it easier for the Commu-

nity and its Member States to be involved in a harmonious manner in the formulation and monitoring of adjustment policies.

PROGRESS OF NEGOTIATIONS FOR THE RENEWAL OF THE ACP-EEC CONVENTION

208. At its two meetings in 1989, on the basis of reports from the Commission, the Council monitored the proceedings relating to the negotiations for the renewal of the ACP-EEC Convention.¹

ROLE OF WOMEN IN DEVELOPMENT

209. At its meeting on 16 May 1989 the Council considered once again the question of taking into account the role of women in development. Among other things it asked for an action programme to be outlined in the framework of the existing instruments of cooperation with the developing countries.

One thing which such an action programme will have to do is to determine how in practice the role of women is to be taken into account at the different stages of implementing projects and programmes, and in particular in terms of identification, feasibility studies, internal follow-up and evaluation. An important objective will be to encourage women to take a more active part in the different aid operations, so that their technical, economic and management skills will be enhanced and their social role reinforced.

EVALUATION OF COORDINATION

210. On 16 May 1989 the Council reiterated the importance it attached to an effective evaluation of the development cooperation in which the Community and the Member States were involved. It affirmed that the main point of evaluation was to ensure that the findings were taken fully into account in the design and implementation of future development projects, and it called on the Commission and the Member States, each for its own part, to introduce adequate procedures to achieve this.

COMBATING AIDS IN THE DEVELOPING COUNTRIES

211. At its meeting on 21 November 1989 the Council examined a report from the Commission on the implementation of the programme which had been approved at

¹ This topic is also discussed in paragraph 216 *et seq.*

the Council meeting on 21 May 1987. It noted that the problem remained particularly serious, despite the efforts made, and that the alarming spread of AIDS justified long-term measures which took account of the regional dimension of the problem. It also emphasized the need to continue and to intensify the coordination already being carried on with the WHO under its special programme and with the Member States in the context of their research programmes.

DEVELOPMENT AND ENVIRONMENT

212. On 21 November 1989 the Council noted a report from the Commission on the action undertaken in the fight against desertification since the resolution of April 1986 was adopted.

It expressed satisfaction at the number of projects financed by the Community to counter desertification and the financial resources which had been allocated to them, directly or indirectly, in Africa over the last three years (approximately ECU 1 billion). The Council recommended a global approach to this problem which also took into account the need to increase incomes, improve the management of resources and monitor migratory movements.

Following a more general discussion on development and the environment, the Council adopted a resolution which emphasized the need to draw up guidelines enabling environmental problems to be better incorporated into development cooperation and to devote appropriate means to the task.

The Council called on the Commission and the Member States to continue discussions on these two topics and to draw up specific proposals making Community policy on the matter more operational for its next meeting in May 1990. It also instructed Coreper to report back, from the development policy angle, on the Commission's communication on the conservation of tropical forests.

FOOD-AID GUIDELINES

213. On 21 November 1989 the Council adopted a resolution setting out guidelines for food aid. It placed emphasis in particular on the contribution which food aid should make to the balanced economic and social development of the recipients.

The Council resolution also covered the analysis of requirements, evaluation, products best suited to local conditions, the use of food aid to support structural adjustment, the coordination of action by the Community and the Member States and the role which NGOs can play in the evaluation, distribution and monitoring of food aid measures.

Food aid

214. Parliament having endorsed this course of action, the Council once again extended, until 30 June 1990,¹ Council Regulation (EEC) No 3972/86 on food-aid policy and food-aid management,² pending the judgment of the Court of Justice on the Commission's application for the annulment of some provisions of that Regulation.³

At the same time the Council extended:

Council Regulation (EEC) No 2507/88 on the implementation of storage programmes and early warning systems;⁴

Council Regulation (EEC) No 2508/88 on the implementation of co-financing operations for the purchase of food products or seeds by international bodies or non-governmental organizations.⁴

Throughout the year Council bodies determined the position to be taken by the Community, in coordination with the Member States, in various international forums, in particular meetings of the Committee on Food Aid Policies and Programmes in Rome (May to June and December) and meetings of the Food Aid Committee in London (July and November).

Generalized scheme of preferences for 1990

215. In the light of the Opinions of the European Parliament and the Economic and Social Committee, the Council agreed to the generalized scheme of preferences for 1990.

With a review of the generalized scheme of preferences envisaged for the new decade beginning in 1991, the Council Decisions on the industrial, agricultural and textiles sectors and on ECSC products⁵ in the main followed the previous scheme's concessions. Nevertheless, some improvements were made for the industrial sector (a 5% increase in ecu limits for some products).

Some amendments were also made in the textiles sector.

It should be noted that the Council further agreed to extend the 1990 GSP to Poland and Hungary. In this connection the Council decided on some additional concessions for agricultural products under the 1990 GSP.

¹ OJ L 172, 21.6.1989.

² OJ L 370, 30.12.1986.

³ OJ L 168, 1.7.1988.

⁴ OJ L 220, 11.8.1988 and OJ L 712, 21.6.1989.

⁵ OJ L 383, 30.12.1989.

E — Relations with the ACP States and the overseas countries and territories

The fourth ACP-EEC Convention (Lomé IV)

216. The high point of relations between the Community and the ACP States in 1989 was the signing of the fourth ACP-EEC Convention in Lomé on 15 December 1989.

That Convention represents the culmination of negotiations which began in October 1988 with a ministerial meeting in Luxembourg and continued throughout 1989 in the course of numerous meetings between the negotiators in Brussels (the Commission and the ACP Ambassadors), three ministerial conferences, in Brazzaville in February 1989, in Brussels in June 1989 and in Luxembourg in October 1989, as well as a restricted ministerial meeting which took place in Brussels in November 1989.

Together with the Community and its 12 Member States and in addition to the 66 ACP States which were parties to Lomé III, Haiti and the Dominican Republic are also signatories to the new Convention. Provision has also been made to facilitate Namibia's accession to the new Convention once it states its wish to accede.

Following this long process of negotiation, the two sides were able to reach an agreement which consolidates, improves and strengthens a form of cooperation based on solidarity and mutual interest.

The financial support given by the Community has increased far in excess of the upward adjustment due merely to inflation, with the total financing package rising from ECU 8 500 million to ECU 12 000 million, including ECU 1 200 million in EIB own resources — an increase of more than 40% in nominal terms and more than 20% in real terms.

217. The negotiating approach followed and the results achieved reflected the very broad consensus emerging within the various ACP and EEC bodies throughout the preparatory proceedings; while consolidating and building on what was achieved under earlier Conventions, the new Convention improves and develops the instruments of cooperation, extends cooperation to new subjects or areas and is intended to cope with the new requirements arising out of the economic situation of the ACP States.

The most significant improvements and innovations may be briefly summarized as follows:

- The new Convention is a long-term one and will accordingly have a life of 10 years with a renewable five-year Financial Protocol and a five-year review clause;

- The provisions on human rights and respect for human dignity have been strengthened and included in the body of the Convention, under the objectives and principles of cooperation. The new text makes reference to fundamental human rights, civil and political rights and economic, social and cultural rights, with express mention of apartheid and of students and migrant workers;
- Agricultural cooperation and food security, which remain matters of priority for most ACP economies, continue to form the core of sectoral strategies under Lomé IV with the addition at the same time of a number of new emphases, such as the regional dimension of food security policies and the key role of women in rural development;
- Industrial cooperation is to act as a stronger driving force, complementing rural and agricultural development. This field, with the addition now of specific provisions on enterprise development, has been significantly improved in order to better reflect the ACP States' development priorities. The objectives of the Centre for the Development of Industry (CDI) have been defined more clearly and its supervisory structure clarified;
- The new Convention places greater emphasis on the private sector and fuller, more operational provisions have been drawn up on investment promotion, protection and support;

218.

- Cooperation on commodities is no longer confined to agricultural products but extends to all minerals and metals. Emphasis has been clearly laid on the need to reduce the dependency of ACP economies on primary products by diversification and by support for processing, marketing, distribution and transport (PMDT), while at the same time restoring the competitiveness of ACP States' products on international markets;
- Stabex mechanisms have been amended considerably in order to contribute more effectively to reorganizing agricultural commodity sectors, to make the system's operation more transparent and fairer and to speed up its working. The Stabex budget has been significantly increased, from ECU 925 million to ECU 1 500 million. Henceforth losses of earnings will be compensated for not by special loans but by subsidies (in line with the practice already followed for the least-developed countries under Lomé III);
- Sysmin has also been amended considerably in order to simplify its operation and bring it more into line with ACP countries' economic restructuring needs; the system now centres mainly on the idea of viability, though assistance is also possible in the event of major falls in the total export earnings of the ACP States concerned;

219.

- The Lomé III trade arrangements, which were already very liberal, have been consolidated and improved substantially from several aspects in order to afford ACP States significant new opportunities to export to the Community market.

The most important improvements are concerned with access for agricultural products (the new concessions are for some 40 products, including sorghum, millet, yams, rice, molasses, strawberries, tomatoes, citrus fruit, some processed agricultural products, etc.), with the Protocols on rum, beef and veal and bananas and with the rules of origin, which have been substantially adjusted so as to provide greater encouragement for the industrialization of the ACP States;

- Development finance cooperation is the area of greatest innovation compared with Lomé III. New provisions have been included to cater for new realities. First of all, the Convention includes provisions on support for economic recovery policies (structural adjustment), not as a substitute for but in addition to traditional development activities and hence with a special additional allocation (ECU 1 150 million). A second important new feature is the inclusion of a section on debt, a matter to which the ACP States attached great importance throughout the negotiations. Financial aid under the new Convention involves a very high degree of concessionality (discontinuation of special loans, compensation in the form of Stabex transfers, a two-stage procedure for Sysmin, namely grants for recipient countries, on-lent to final borrowers). In addition, the scope of development finance cooperation has been extended and procedures adjusted, to make cooperation more effective and speed up its implementation;

220.

- The field of cultural and social cooperation emerged considerably strengthened from the negotiations, with both sides convinced that the enhancement of the potential in human resources and the free development of cultural identities of the peoples of the ACP countries constituted vital conditions for the success of cooperation;
- The Convention attaches greater priority to ACP States' regional cooperation and integration efforts. Functional cooperation topics have been enhanced, opportunities for cooperation with the FODs and the OCTs brought out more clearly and procedures for implementing this kind of cooperation clarified and strengthened;
- The range of areas for ACP-EEC cooperation has been extended to include some new aspects such as population and some more comprehensive approaches such as the development of service activities or environmental protection, with the latter topic including important measures such as a ban on movements of hazardous and radioactive waste;
- Lastly, the Convention breaks new ground in providing for decentralized forms of cooperation to facilitate broader public participation in cooperation activities and give a wider range of non-governmental agencies the possibility of integrating their own initiatives into the overall context of ACP-EEC cooperation.

Activities under the third ACP-EEC Convention (Lomé III)

221. Implementation of the third Lomé Convention in the various areas of cooperation continued in 1989 in a manner and with results considered satisfactory on the whole by both sides.

The ACP-EEC Council of Ministers held its 14th ordinary meeting on 2 June 1989 in Brussels. In essence, it reviewed the main areas of cooperation: agricultural commodities, trade cooperation, customs cooperation, Stabex, Sysmin, financial and technical cooperation, industrial cooperation and agricultural cooperation.

The ACP-EEC Council meeting was preceded, also on 2 June, by a ministerial meeting of the Article 193 Committee.

It should be noted that in political cooperation the Troika held two ministerial meetings on the situation in South and southern Africa, one with the front-line States (Luxembourg, 12 June 1989) and the other with the ACP States (Brussels, 28 November 1989).

222. The ACP-EEC Committee of Ambassadors held its 29th and 30th meetings on 18 May and 28 July 1989. The former meeting dealt mainly with preparations for the meeting of the ACP-EEC Council of Ministers on 2 June and with a number of management problems. The latter dealt with the specific problem of Stabex (the 1988 year of application); on the basis of powers delegated by the Council and a report from the Commission under Article 155(4) of the third Convention, the Committee considered the situation in 1988 of total eligible transfer applications in excess of available resources and agreed to allocate an additional ECU 125 million to the system for that year.

223. The ACP-EEC Joint Assembly held two sessions, one in Bridgetown (Barbados) from 24 to 28 January 1989 and the other in Versailles (France) from 25 to 29 September 1989. It adopted a number of resolutions, concerned in particular with the fourth ACP-EEC Convention under negotiation, with the processing of commodities and the ACP States' economic and social development, with technology, training and development, with the effects of the 1992 single market on the ACP States and with the situation in South and southern Africa.

Under the auspices of the Joint Assembly, the 13th annual meeting of ACP-EEC economic and social interest groups also took place on 7 and 8 November 1989 in Brussels, organized by the Economic and Social Committee and devoted to the following two subjects: vocational training and training for farmers; deterioration of the terms of trade.

224. Of particular note among the activities and decisions of the EEC Council, under its own responsibilities or its joint ones in the ACP-EEC context, are the following:

(a) Trade cooperation and customs cooperation:

the adoption in June 1989 of a Regulation opening, allocating and providing for the administration of a Community tariff quota for rum, arrack and tafia for the period from 1 July 1989 to 30 June 1990, for the purpose of implementing Protocol 5 on rum.¹ This Regulation introduces a Community reserve for the first time as an initial move in the direction of discontinuing the system of allocating the quota through national quota shares, with a view to the completion of the internal market;

the adoption in November 1989 of a Regulation amending Regulation (EEC) No 486/85 on the arrangements applicable to agricultural products and certain goods resulting from the processing of agricultural products originating in the ACP States or the OCTs.² This provides for a reduction of the levy applicable to third countries for the ACP States and the OCTs by ECU 0.5 per 100 kg within an annual quota of 600 000 t of molasses;

the adoption in December 1989 of a Regulation on the application of Decision No 1/89 of the ACP-EEC Council of Ministers amending Protocol No 1 to the third ACP-EEC Convention concerning the definition of the concept of 'originating products' and methods of administrative cooperation;³ this is designed to align the provisions of the ACP-EEC Convention regarding rules of origin with the harmonized system of tariff classification;

agreement on a further derogation from the rules of origin for Mauritius in respect of 750 t of canned tuna for the period from 1 September 1989 to 28 February 1990.⁴

225.

(b) Financial and technical cooperation:

the recommendations to the European Parliament to grant a discharge to the Commission in respect of operations under the fourth, fifth and sixth EDFs for the 1987 financial year;

the setting, by a decision of 18 December 1989, of the schedule for Member States' contributions in respect of the sixth EDF for 1990;

the examination of those parts of the Court of Auditors report for 1987 concerning the European Development Fund, of the reports by the European Investment

¹ Regulation (EEC) No 1968/89 (OJ L 187, 1.7.1989). Note also Regulation (EEC) No 1969/89 (OJ L 187, 1.7.1989).

² Regulation (EEC) No 3530/89 (OJ L 347, 28.11.1989).

³ Regulation (EEC) No 4040/89 (OJ L 387, 30.12.1989). Note also Regulation (EEC) No 4041/89 (OJ L 387, 30.12.1989) amending Annex II, concerning the definition of the concept of 'originating products' and methods of administrative cooperation, to Decision 86/283/EEC on the Association of the OCTs with the European Economic Community.

⁴ Ratified by the ACP-EEC Customs Cooperation Committee in early January 1990, subsequently to be applied by an EEC Council Regulation.

Bank on the implementation as at 31 December 1988 of operations financed from the resources of the fourth, fifth and sixth EDFs and of the Commission report on the results of invitations to tender for 1987.

The Article 193 Committee held its third meeting on 2 June 1989 in Brussels.

226.

- (c) In industrial cooperation, decisions appointing the members of the CDI Governing Board and adjusting the remuneration of CDI staff.
- (d) In agricultural cooperation, decisions formally appointing the members of the TCA Advisory Committee, granting a discharge to the Centre's Director in respect of the implementation of its budget for the 1987 financial year and adjusting the remuneration of TCA staff.

F — Mediterranean — Gulf States — Euro-Arab Dialogue

227. As made clear by the previous report, for relations between the Community and Mediterranean third countries with Association or Cooperation Agreements, 1988 was a period of adjustment following the enlargement of the Community to include Spain and Portugal.

In 1989 this process was rounded off with the adoption of the internal Community measures still required and of Financial Protocols with Malta and Cyprus. However, 1989 was marked above all by a profusion of ministerial meetings with the Community's Mediterranean partner countries. No less than seven Association or Cooperation Council meetings were held (with Algeria, Egypt, Israel, Malta, Morocco, Tunisia and Yugoslavia), enabling the Agreements' implementation to be reviewed and extended to new practical areas of cooperation. In addition, in several cases, a process of reflection was set in hand regarding means by which the Community could support partner countries in their brave structural adjustment efforts and attenuate the social consequences thereof.

Such meetings saw the continuation of the practice of exchanges of views between Ministers on topical political issues of mutual interest.

Late in the year the Commission submitted to the Council a communication on redirecting the Community's Mediterranean policy.

The Euro-Arab Dialogue was also given fresh impetus, after several years with no developments of note, by a Ministerial Conference with the Arab League member

countries and organizations, which set out guidelines for the continuation and strengthening of the Dialogue.

Relations with the Mediterranean countries

COOPERATION AGREEMENTS

Algeria

228. Preparations having been made by a Cooperation Committee meeting on 7 October 1988, the EEC-Algeria Cooperation Council held its second meeting at ministerial level in Luxembourg on 12 June 1989, chaired by Mr Boualem Bessaih, Minister for Foreign Affairs of the People's Democratic Republic of Algeria. The Community delegation was headed by Mr Francisco Fernández Ordóñez, Minister for Foreign Affairs of the Kingdom of Spain and President-in-Office of the Council of the European Communities. The Commission was represented by Mr Abel Matutes, Member, and the European Investment Bank by Mr Alain Prate, Vice-President.

The meeting gave the Community and Algeria the opportunity to take stock of their relations in the framework of the 1976 Cooperation Agreement, in the field of trade and other important areas of cooperation covered by the Agreement.

The Algerian delegation informed the Community of the completion of further stages in Algeria's implementation of radical political, economic and institutional reforms. The Community expressed its interest in and understanding for the process under way, which would give added impetus to its relations with Algeria and enable Algeria to return to a growth level which would allow it to service its debt without holding back development.

The Cooperation Council noted that, overall, financial and technical cooperation had evolved satisfactorily. It also encouraged the extension and strengthening of economic cooperation.

It was recalled that a number of industrial cooperation schemes and measures had recently been financed, thereby contributing towards enhancing export performance and attaining the objectives of Algeria's development plans.

Both delegations also stressed the value they attached to energy cooperation.

With regard to completion of the single market, the Cooperation Council encouraged further briefing meetings at various levels.

Morocco

229. Preparations having been made by a Cooperation Committee meeting on 7 April 1989, the EEC-Morocco Cooperation Council held its second meeting on 24 April 1989 in Luxembourg.

The meeting was chaired by Mr Abdellatif Filali, Minister for Foreign Affairs of the Kingdom of Morocco and Head of the Moroccan delegation. The Community delegation was led by Mr Francisco Fernández Ordóñez, Minister for Foreign Affairs of the Kingdom of Spain and President-in-Office of the Council of the European Communities. The Commission was represented by Mr Abel Matutes, Member, and the European Investment Bank by Mr Alain Prate, Vice-President.

The meeting brought to the fore the new framework for the privileged and friendly relations between the Community and Morocco following the enlargement of the Community and the signing, in Rabat in May 1988, of various Protocols of adaptation to the Agreement and of an important Agreement on relations in the sea fisheries sector.

Both delegations welcomed the dynamism shown by Morocco's economy, this being the fruit of strategies and structural reforms encouraging personal initiative and the development of undertakings, particularly small and medium-sized undertakings.

In agriculture the Community took due note of certain Moroccan concerns, which it would examine in compliance with the rules of the common agricultural policy and in the light of the objective of maintaining Morocco's traditional export flows in the context of enlargement.

230. The two delegations also discussed trade developments with a view to the single market and certain aspects of Moroccan nationals' living and working conditions in Community countries.

Particular attention was devoted to future opportunities for extended and intensified cooperation in order to strengthen the economic ties between the Community and Morocco. The two delegations also considered extending cooperation in particular in the areas covered by the research and development programme in the field of science and technology for development, and those of energy, the environment and combating drug abuse.

The Cooperation Council expressed satisfaction with the quality of the projects and the take-up rate of financial cooperation, including risk capital to promote private investment in productive sectors.

Finally, the various locust control aids and projects were emphasized by both delegations.

The meeting of the Cooperation Council also provided an opportunity to stress that the signing of the Treaty establishing the Maghreb Arab Union was a step of historic significance for the peoples of the Maghreb, which should enable relations between the Community and the Maghreb to develop to their mutual advantage. It was the general view that this new Maghreb dimension could only enrich and enhance relations between the Community and Morocco without affecting their special nature.

Tunisia

231. Prepared by a Cooperation Committee meeting on 3 February 1989, the EEC-Tunisia Cooperation Council held its fourth meeting at ministerial level in Brussels on 20 February 1989, chaired by Mr Francisco Fernández Ordóñez, Minister for Foreign Affairs of the Kingdom of Spain, President-in-Office of the Council of the European Communities. The Tunisian delegation was headed by Mr Abdel Hamid Escheikh, Minister for Foreign Affairs. The Commission was represented by Mr Abel Matutes, Member. The European Investment Bank was represented by Mr Alain Prate, Vice-President.

The first meeting held in what the Tunisian delegation called 'Tunisia's new era' enabled existing cooperation to be further intensified. It therefore contributed to Tunisia's economic and social development by promoting the strengthening of mutual relations.

With regard to trade relations, while noting Tunisia's structural deficit the Cooperation Council welcomed the fact that trade was steadily increasing and that the Tunisian balance of payments had taken a positive turn in 1986 as a result of Tunisia's recovery efforts.

In the agricultural sector the Community gave an assurance that the review with Tunisia of the arrangements applicable to olive oil would be carried out by 30 June 1990 in view of the deadline laid down by the Additional Protocol.

In the industrial sector it was noted that the duty-free entry for which Tunisian products qualified had contributed to the progress of exports and to the dynamism of certain industries.

With regard to the use of resources under the third Financial Protocol, in particular the sum set aside for risk capital, the Cooperation Council encouraged the promotion of new links between small and medium-sized businesses in Member States and in

Tunisia, among other things by the Tunisian Investment Promotion Agency's access to the BC-Net system and by meetings between businessmen of the 'Partnership 87' type. Energy, environmental protection and action against pollution were other important areas of cooperation.

Egypt

232. The EEC-Egypt Cooperation Council held its fifth meeting at ministerial level in Brussels on 6 November 1989 under the chairmanship of Mr Roland Dumas, Minister for Foreign Affairs of the French Republic and President-in-Office of the Council of the European Communities. The delegation of the Arab Republic of Egypt was led by Mr Abdel Meguid, Deputy Prime Minister and Minister for Foreign Affairs of the Arab Republic of Egypt. The Commission was represented by Mr Abel Matutes, Member, and the European Investment Bank by Mr Alain Prate, Vice-President.

The meeting enabled the Community and Egypt to take stock of their relations under the Cooperation Agreement. The discussions highlighted the importance of cooperation relations between the Community and Egypt and the desire on both sides to continue and intensify that cooperation.

The Egyptian delegation described the major economic reforms taking place in Egypt and asked for the Community's support in helping the country carry through this programme, the success of which was essential to restoring fundamental balances and promoting growth on a firm basis. The Community, which wants this programme to succeed, pointed out that Egypt was one of the main recipients of Community aid. With food aid and aid under the Financial Protocol, Egypt receives each year an average amount of some ECU 120 million, a large part of which is in the form of non-refundable aid. In addition there is the aid provided by Member States. The Cooperation Council noted the positive results for Egypt. Among other things, the priority given by the Financial Protocol to self-sufficiency in food, together with the food aid provided by way of grants, helped to reduce the burden of food imports on Egypt's balance of payments and debt.

233. The Cooperation Council noted that there was still a trade deficit to Egypt's disadvantage, although it was being reduced. It noted the encouraging fact that manufactured goods accounted for a growing proportion of Egypt's exports. The country also benefited from measures to preserve traditional flows of trade in agricultural produce towards the enlarged Community.

In the sphere of financial and technical cooperation, the Cooperation Council emphasized the progress made in implementing the Protocols. It welcomed the increas-

ing attention being given to support for the productive sectors of the economy, in line with the priorities laid down by Egypt.

Regional cooperation was seen as one of the priorities in a large number of fields such as the environment, water-resource management and industrial cooperation.

The Community and its Member States welcomed the setting up of the Arab Cooperation Council, and reiterated their willingness to back up this attempt at regional integration with cooperation in fields of mutual interest.

Israel

234. Since 1 January 1989 trade in industrial products between the Community and Israel has been governed by a mutual free trade system. The third Financial Protocol entered into force on the same date.

It was under this new framework that the EEC-Israel Cooperation Council held its seventh meeting on 22 May 1989 in Brussels, prepared by a Cooperation Committee meeting on 28 April 1989.

The Cooperation Council meeting was chaired by Mr Moshe Arens, Minister for Foreign Affairs of the State of Israel and Head of the Israeli delegation. The Community delegation was led by Mr Francisco Fernández Ordóñez, Minister for Foreign Affairs of the Kingdom of Spain and President-in-Office of the Council of the European Communities. The Commission was represented by Mr Abel Matutes, Member, and the European Investment Bank by Mr Meulemans, Vice-President.

The Cooperation Council reviewed relations between the European Community and the State of Israel under the Agreement.

Given the extent and the dynamic nature of their trade relations, the two delegations emphasized the importance of the completion of the single market. In reply to a request by the Israeli delegation, the Cooperation Council said it was keen to continue meetings at various levels between the Commission and Israel to give Israel information on the post-1992 outlook so that Israel could take it into account in its development planning.

The two delegations also discussed certain problems and aspects of the implementation of the trade section of the Agreement.

Regarding cooperation, the delegations noted that it was continuing at a very satisfactory pace in the various areas of cooperation and they requested operators to step up their joint activities.

In this connection, the particular importance of industrial and technological cooperation was stressed. It was agreed that there would be an examination of suitable ways and means of extending such cooperation *inter alia* to cover energy and the environment.

235. Israel also informed the Community that certain measures discriminating against products originating in the Community (collection of purchase tax — the 'tamah' method — and the exemption of certain Israeli products from that tax) were to be abolished.

Finally, the Community informed Israel that, provided that certain conditions were met, it had no objection to the safeguard measures requested by Israel concerning the import of tyres and flat glass.

Yugoslavia

236. The EEC-Yugoslavia Cooperation Council held its eighth meeting at ministerial level in Brussels on 27 November 1989 with Mr Dumas, Minister for Foreign Affairs of the French Republic and President-in-Office of the Council of the European Communities, in the Chair. The Yugoslav delegation was led by Mr Loncar, Federal Secretary for Foreign Affairs of Yugoslavia. The Commission was represented by Mr Abel Matutes, Member, and the European Investment Bank by Mr Sylvain, Director.

The meeting had been prepared by the eighth meeting of the EEC-Yugoslavia Cooperation Committee held in Brussels on 10 November 1989.

This meeting of the Cooperation Council took stock of and outlined the prospects for relations between the Community and the Socialist Federal Republic of Yugoslavia, taking account also of the memorandum submitted by the Yugoslav Prime Minister to Mr Delors and the Member States of the Community on economic reforms and the possibilities for increased cooperation between Yugoslavia and the Community.

As regards the traditional aspects of cooperation between the EEC and Yugoslavia, the Cooperation Council welcomed the results achieved in the area of trade, especially recent developments which had produced a more balanced situation, largely as a result of an increase in Yugoslav exports.

The Cooperation Council noted with satisfaction the positive developments in financial cooperation, in accordance with Article 3 of the Financial Protocol which provides for the financing of projects concerning transport infrastructures of common interest, as well as other development projects.

The Cooperation Council took a positive view, in the context of the guidelines laid down in its resolution of 19 December 1988, of the implementation of Decision No 1/88 concerning cooperation, and stressed the progress made in a number of fields, such as science and technology, energy, the environment, standardization and veterinary cooperation, the latter henceforth covered by a specific arrangement also signed in November 1989.

It recommended the pursuit of regular dialogue on the implementation of sectoral cooperation measures and with this in mind adopted Decision No 1/89 under the heading of application of Chapter I of the Agreement.

The Cooperation Council hoped that the negotiations between Yugoslavia and the Community on transport would be concluded as quickly as possible, thus bringing about closer cooperation in this area, bearing in mind its importance for both Yugoslavia and the Member States, especially with regard to transit and the construction and modernization of Yugoslavia's major road and rail routes.

237. The Cooperation Council noted with great interest the memorandum and the statements from the Yugoslav delegation on the programme for reform of Yugoslavia's economic and financial system. It welcomed the guidelines underpinning the reforms described in the memorandum and stressed the importance of their full implementation.

The Cooperation Council noted with satisfaction that, once an agreement had been concluded with the IMF, the Community would consider supplementary steps to provide aid and to deepen cooperation with Yugoslavia in order to back up the efforts which Yugoslavia would make under that agreement; in this context, the Community would expand its technical assistance in order to provide particular aid for the sectors of the economy referred to in the Yugoslav memorandum.

It welcomed the Community's agreement to anticipate the opening of negotiations for a third Financial Protocol and noted with satisfaction that the Community was prepared to examine the possibility of Yugoslavia participating in Community programmes.

It stressed the important part which private investment could play in Yugoslavia's development and invited Yugoslavia to continue to improve conditions for attracting such investment.

Finally, it invited the Community to study the means it had available to stimulate industrial cooperation, and in addition to pursue its efforts to help Yugoslavia to prepare for the completion of the internal market.

In addition the Cooperation Council took note of Yugoslavia's proposal to improve the institutional framework of the relations between the two parties with the aim of

placing them at the level of Association with the European Community, with provision being made for exploratory studies to that end.

ASSOCIATION AGREEMENTS

Turkey

238. The problems connected with the functioning of the Association Agreement in the field of trade, which had been discussed in late 1988 by an *ad hoc* Working Party composed of senior Turkish experts and responsible Commission departments,¹ were examined in detail by Council bodies in the first half of 1989. In June 1989, following that examination, the Community sent Turkey a memorandum setting out in detail the various fields in which Turkey was not correctly applying the provisions of the Agreement aimed at gradually achieving a customs union. The main causes of concern to the Community were the retention of and in some cases even increase in certain charges having equivalent effect constituted by the various 'funds' set up in Turkey which were funded by import levies; the delays in relation to the timetable set by the EEC-Turkey Additional Protocol with regard to tariff and quota dismantling and Turkish tariff alignment on the CCT; infringements and lack of patentability in Turkey; lack of concessions for imports of Community agricultural products into Turkey. At the end of 1989 the Turkish Government had not replied to that memorandum.

After an interruption of almost nine years and following a resolution adopted by the European Parliament on 15 September 1988,² the Joint Parliamentary Committee resumed its proceedings. It held three meetings in 1989: in Strasbourg from 17 to 19 January, in Ankara from 24 to 26 April and in Brussels from 27 to 29 November. The Council of the Community was represented at the first of those meetings by Mr Pedro Solbes Mira, State Secretary for the European Communities (Spain), and at the second by Mr Villanueva Etcheverria, Spanish Ambassador in Ankara.

The Association Council and the EEC-Turkey Association Committee did not hold any meetings in 1989.

239. At its meeting on 19 December 1989, after an initial exchange of views and in the light of the statements made by various delegations, the Council noted the Commission's opinion — given in accordance with the Treaties — concerning Turkey's application for accession.

¹ See 36th Review, paragraph 240.

² OJ C 262, 10.10.1988.

That opinion and the Commission's suggestions will be examined in detail, bearing in mind the importance the Community attaches to the special relations it has established with Turkey on the basis of the Ankara Agreement signed in 1963.

Malta

240. The fourth meeting of the EEC-Malta Association Committee was held in Brussels on 7 March 1989. It was mainly devoted to preparing for the fifth meeting of the Association Council which was held at ministerial level in Brussels on Monday 20 March 1989 and chaired by Dr Ugo Mifsud Bonnici, Minister for Education, Culture and the Environment of Malta. The Community delegation was headed by Mr Francisco Fernández Ordóñez, Minister for Foreign Affairs of the Kingdom of Spain and President-in-Office of the Council of the European Communities. The Commission was represented by Mr Abel Matutes, Member, and the European Investment Bank by its Vice-President, Mr Alain Prate.

Examining Association relations between the EEC and Malta, the Association Council observed a parallel, steady increase in trade in recent years; it noted with satisfaction the excellent results achieved in financial cooperation, pointing out that all funds under the first and second Financial Protocols were now committed. It confirmed the wish that relations between the Community and Malta be strengthened and expanded in line with the Rhodes declaration concerning the Community's relations with European nations sharing the same ideals and objectives. It welcomed the initiatives which have been taken by both Malta and the Community aimed at creating even closer links between them.

On the occasion of the fifth Association Council, the third EEC-Malta Financial Protocol was signed, for which the Council of the Community had adopted negotiating directives for the Commission on 23 January 1989. The Protocol covers a further five-year period from 1 November 1988 to 31 October 1993; it provides for a total amount of ECU 38 million, broken down as follows: ECU 23 million in European Investment Bank loans from its own resources and ECU 15 million from Community budget resources. The latter amount includes ECU 12.5 million in grants and ECU 2.5 million in risk capital, administered by the European Investment Bank, aimed at promoting cooperation between Maltese and Community small and medium-sized undertakings, in particular in the framework of joint ventures. The European Parliament having given its assent on 24 May 1989, the third EEC-Malta Financial Protocol entered into force on 1 August 1989.¹

The Supplementary Protocol extending the first stage of the Association Agreement until December 1990 and providing for new Community concessions for certain Maltese products, in particular agricultural products, and the Adaptation Protocol

¹ OJ L 180, 27.6.1989.

negotiated following the accession of Spain and Portugal to the Community, both signed on 14 December 1988, entered into force on 1 April 1989 after the two parties had completed their internal procedures.¹ As from that date, trade relations between Malta and the Community are again on a contractual basis and the Association arrangements now also extend to the two new Member States.

Cyprus

241. Negotiations with Cyprus concerning the third Financial Protocol were concluded on 14 July 1989 on the basis of the directives adopted by the Council on 23 January 1989, and the Commission submitted its report on the subject to the Council on 12 October 1989. At its meeting on 27 November 1989 the Council approved the outcome of the negotiations, decided to sign the Protocol and requested the European Parliament's assent. The third EEC-Cyprus Financial Protocol was signed in Brussels on 30 November 1989.

The Protocol provided, for a further five-year period (1989 to 1993), a total amount of ECU 62 million broken down as follows:

ECU 44 million in European Investment Bank loans from its own resources on normal market terms, with an interest-rate subsidy of 1.5% per year;

ECU 18 million from Community budget resources, including ECU 13 million in grants (including the above interest-rate subsidies) and ECU 5 million for creating risk capital.

The last component was an innovation in financial cooperation with Cyprus and was designed to promote cooperation between Cypriot and Community small and medium-sized undertakings, particularly in the framework of joint ventures; administration of the risk capital was assigned to the EIB. The Community reiterated that, like the previous Protocols, the third Financial Protocol was for the benefit of the whole population of the island. As in the past, it would be executed in full respect of the sovereignty of the Republic of Cyprus.

The Association Committee and the Council did not hold any meetings in 1989.

ADMINISTRATION OF THE MEDITERRANEAN AGREEMENTS

242. As part of its work of administering the Association and Cooperation Agreements with the Mediterranean countries, the Council adopted in 1989 a series of Regulations on tariff quotas, ceilings and special arrangements for imports of certain products originating in those countries. Pursuant to the Additional Protocols

¹ OJ L 81, 23.3.1989.

concluded with those countries following the accession of Spain and Portugal to the Community, the Council also adopted two Regulations establishing for 1989¹ and 1990² Community surveillance for certain agricultural products originating in various Mediterranean partner countries which are subject to reference quantities; it also adopted a Regulation¹ establishing the procedure to be followed if new concessions granted to Mediterranean countries for a specific product threaten to cause difficulties on the Community market. Finally, it adopted a Regulation³ laying down the method of decision — in this case the agricultural Management Committees' procedure — for the fixing of any special frontier price for certain wines or for any adjustment of the entry price for certain fruit and vegetables, in compliance with the conditions laid down by the above Additional Protocols.

AID TO LEBANON

243. The Council and the Member States meeting in political cooperation repeatedly turned their attention to the tragic situation prevailing in Lebanon in 1989.

Considerable humanitarian aid (almost ECU 35 million in 1989) was granted to Lebanon by the Community and the Member States acting in close coordination. But that aid was insufficient owing to requirements such as the restoration of essential public services which exceeded the framework of conventional emergency aid. An appraisal mission was therefore sent to Lebanon in late August 1989 to identify the relevant requirements.

At its meeting on 3 October 1989 the Council supported the coordinated implementation by the Community and the Member States of a scheme to restore essential public services, drawn up on the basis of the report by the appraisal mission and after several coordinating meetings.

In the mean time the agreement reached in Taif, which was welcomed by the Council, had made it possible to resume the dialogue between the Lebanese. The restoration scheme was thus able effectively to help the population and contribute to rebuilding the country. Projects totalling ECU 25 million were planned in this context. Seven Member States (Belgium, France, Greece, Ireland, Italy, Luxembourg and the Netherlands) contributed a total of ECU 19 million and the Community contributed ECU 6 million.

¹ OJ L 52, 24.2.1989.

² OJ L 289, 7.10.1989.

³ OJ L 340, 23.11.1989.

The projects to be implemented relate primarily to Lebanese public and private services (health, water, electricity, sewerage, telecommunications, civil defence and schools). Their implementation will facilitate the resumption of normal activities for the benefit of the whole population, with the assistance of specialized international and non-governmental organizations.

COMMUNITY AID FOR THE PALESTINIAN POPULATION IN THE OCCUPIED TERRITORIES

244. Since the adoption by the Council (27 October 1986) of measures to assist the Palestinian population of the West Bank of the Jordan and the Gaza Strip, the Community has continued and stepped up its specific cooperation consisting of tariff concessions for Palestinian products originating in the Occupied Territories and financial and technical aid for the population, in particular in the form of socioeconomic projects financed from the Community budget.

In 1989, taking account of the continued deterioration of the situation in the Territories, the Council bodies, in close cooperation with the Commission, ensured that Community aid was as effective as possible. To that end:

- (i) a representation, the terms of which were formulated by the Council (March 1989), was made to the Israeli authorities with regard to tax exemption for equipment supplied by the Community under projects funded in the Occupied Territories;
- (ii) the Council bodies supported the Commission in its efforts to solve the difficulties which arose with regard to the implementation of the arrangements concerning direct exports of Palestinian agricultural products to the Community;
- (iii) the Community's financial and technical assistance to the Palestinian population in the Territories was increased. In the light of the principles, objectives and priority areas defined by the Council, the prospects for allocating ECU 5 million in commitment appropriations and ECU 4 million in payment appropriations which had been included in the 1989 budget (Article 966) were examined by the Council with a view to the decisions to be taken by the Commission in consultation with the Member States. It was agreed that those appropriations would be allocated mainly to the following: support for the productive sector (agriculture, industry, crafts, services, aid to women's producer cooperatives) and action in the field of health.

Finally, at its meeting on 3 October 1989 the Council received a report reviewing the arrangements for Community cooperation with the Palestinian population in the framework of existing Community provisions.

245. It noted the Commission's intention to submit an overall report in 1989 on Community cooperation with the Palestinian population and its prospects. That report, drawn up by the Commission, contains a review of 10 years of direct aid (1980 to 1990), measures to promote the direct access of Palestinian products to the Community market and aid via UNRWA. It includes an outlook (guidelines, economic and social development) and sets out the means to be used. It is due to be examined by the Council in early 1990.

At its meeting on 8 and 9 December 1989, the European Council stated that it was seriously concerned by violations of human rights in the Occupied Territories and recalled the need for the occupying power to observe strictly its obligations under the fourth Geneva Convention to which it had notably not conformed in such basic areas as education and health. It deplored the continuous deterioration of the situation in the Occupied Territories which seriously affects the living conditions of the people, compromises in a lasting fashion the future of Palestinian society and prevents the economic and social development of the Territories.

It expressed the determination of the Community and its Member States to increase substantially their aid to the inhabitants of these Territories. Within the framework of the new 1990/92 triennial Convention (see below) the Community will continue with and increase its aid to Palestinians through UNRWA. It wishes to see the activities of UNRWA carried out without hindrance. During the same period, the European Council established as an objective the doubling of the Community's direct aid which, since 1981, has amounted to ECU 23 million. The Community thus intends to contribute to the economic and social development of the population of the Occupied Territories and, by its efforts in the area of health and education as well as by support for local Palestinian institutions, help to protect the common future of the Palestinian people.

Renewal of the EEC-UNRWA Convention

246. At its meeting on 3 October 1989 the Council adopted directives for a three-year renewal of the EEC-UNRWA Convention (expiring on 31 December 1989).

Provision was made for a gradual increase in Community aid under the Convention, which will amount to ECU 80.1 million for the period 1990 to 1992. As before, the aid will be aimed at education and now, specifically, at health education. Assistance in the form of food aid will also be continued.

The new Convention initialled on 13 October 1989 should be forwarded shortly by the Commission to the Council with a view to its signature and entry into force in early 1990.

Gulf States — Yemen Arab Republic (YAR)

247. Following exploratory talks with the countries party to the Charter of the Cooperation Council for the Arab States of the Gulf — pursuant to the Cooperation Agreement signed with those countries in Luxembourg on 15 June 1988 — the Commission forwarded proposals to the Council for directives on negotiating a trade agreement between the Community and the Customs Union to be set up by the GCC.

On the basis of these proposals, at its meeting on 19 December 1989, the Council adopted directives allowing the Commission to open the proposed negotiations in the course of 1990.

At its meeting on 22 May 1989, following a Commission communication on the possibility of a Financial Protocol concerning the Yemen Arab Republic (YAR), the Council and the Commission made a statement in which they agreed on the importance of intensifying and further diversifying cooperation relations between the Community and that country. Aware of the new needs to which the changes taking place in the Yemeni economy had given rise, the Council and the Commission stated their resolve to develop cooperation with the Yemen Arab Republic within the framework of the existing machinery, by extending project financing to new sectors, *inter alia* to infrastructures.

The Council and the Commission will take account of the above principles during budget procedures and in implementing cooperation with the Yemen Arab Republic.

The Council bodies have started preparation for the third meeting of the Joint Committee of the EEC-Yemen Cooperation Agreement scheduled to take place in Yemen in January 1990.

Euro-Arab Dialogue

248. Following President Mitterrand's initiative in convening a Euro-Arab Ministerial Conference in Paris on 21 and 22 December 1989, in order to reactivate the Dialogue with the member countries and organizations of the Arab League, preparatory work began within the Community and the political cooperation bodies.

Accordingly, the Council bodies (the *ad hoc* Working Party on the Euro-Arab Dialogue) examined the approach to be put forward by the Europeans at the Ministerial Conference with regard to the economic, technical, social and cultural aspects of the Dialogue, in the light of a memorandum from the Commission and a report on the discussions of the working committees and the specialized groups of the Dialogue.

The Euro-Arab Ministerial Conference was held in Paris on 21 and 22 December 1989, under the joint Presidency of Mr Roland Dumas, Minister of State for Foreign Affairs of the French Republic, and Mr Yousef Bin Alawin Bin Abdullah, Minister of State for Foreign Affairs of Oman.

The Conference was attended by the Foreign Ministers or senior officials of the Community Member States and of the 22 member countries and organizations of the Arab League, and by Mr Delors, President of the Commission, Mr Matutes, Member of the Commission, and Mr Klibi and Mr Omran, respectively Secretary-General and Deputy Secretary-General of the Arab League.

249. On the basis of conclusions drawn up by its two working parties, one on economic, technical, cultural and social cooperation, the other on the restructuring of the Euro-Arab Dialogue, the Conference reactivated the Dialogue begun in 1974.

The first priority was to restructure the Dialogue, to make it more efficient, while preserving its dual nature: political on the one hand, and economic, technical, social and cultural on the other. This was done by providing for an institutionalized ministerial meeting, in troika formation, every year, to review all political questions of mutual interest and give the required impetus.

The General Commission of the Euro-Arab Dialogue will become the central body responsible for economic, technical, social and cultural matters. It will direct and monitor the three working committees. It will meet every year prior to the meeting of the troikas, to which it will report on its work and submit recommendations. As proposed in Paris, the next General Commission should be held in Dublin in June 1990.

But restructuring the Euro-Arab Dialogue could only be the means, not the objective. This remains to promote fruitful and constructive cooperation for the mutual benefit of the two parties in order to open up new prospects for relations between the two regions, European and Arab. Accordingly, the Dialogue provides for in-depth exchanges of views on subjects of mutual interest with a view to defining projects for joint implementation. Building on past experience and existing achievements, the Conference laid down guidelines for the General Commission.

250. The two parties to the Dialogue agreed that they could usefully cooperate *inter alia* in the fields of agriculture, security in respect of food supplies, industry and the promotion of trade, technology transfer, technical and vocational training and further training, transport and communications. Particular attention would be given to the cultural and social dimension of Euro-Arab cooperation. The projects would be of mutual regional or inter-regional interest and have truly specific features as compared with other possibilities of implementation.

On the basis of the above criteria, the two parties agreed that the following projects, the study of which had reached an advanced stage, should be given priority and

submitted to the next meeting of the General Commission:
convention on the protection and promotion of investments;
translation and publication of recommendations relating to general terms of contracts;
seminar on the exploitation of the econometric model related to petrochemistry and oil refining;
seminar on cities and urban expansion;
seminar on youth in Olympia;
symposium in Jordan on Euro-Arab cultural relations at the approach of the 21st century;
directory of cultural and scientific institutions and establishments.

The projects selected are without prejudice to the subsequent work to be carried out, in accordance with the guidelines set by the Euro-Arab Conference, in respect of projects that have already been prepared or new projects.

The General Commission will also be required to review the projects for the modernization and development of Arab agriculture, particularly in respect of food, and to give special attention to the consequences, for the development of economic relations between the two parties, of the establishment of the single European market in 1993.

G — Latin America — Asia

Cooperation with the developing countries of Latin America and Asia

251. The Commission forwarded to the Council a report reviewing Community cooperation with the developing countries of Latin America and Asia from 1976 to 1988, supplemented by a document assessing financial and technical cooperation.

The Council examined these documents and, at its meeting on development on 21 November 1989, was able to share the viewpoint of the Commission that the review was on the whole positive.

The Council particularly noted that the Commission intended to forward it a communication containing overall reflections on the future development of all forms of Community aid and cooperation with the developing countries of Latin America and Asia. On the basis of that communication the Council would work out appropriate guidelines for Community cooperation with those countries in the 1990s.

252. In the light of the abovementioned review and evaluation, the Council considered that special attention should be paid in this overall reflective exercise to the following in particular:

- (i) matching of the objectives and forms of cooperation with the situation and economic development of the various developing countries in Latin America and Asia, but with continued efforts to assist the neediest sections of the population and the poorest developing countries;
- (ii) better integration of all Community cooperation instruments, particularly the food-aid instruments;
- (iii) strengthened coordination of Community aid with aid from the Member States, particularly by developing Community/Member State co-financing, and strengthened coordination with other aid donors;
- (iv) a higher profile for Community aid which takes account of its specific nature;
- (v) advisability of setting some aid in a medium-term perspective in order to promote dialogue with the authorities of the countries concerned and improve the preparation, implementation and adaptation of projects, with appropriate provisions being laid down for this purpose;
- (vi) support for national institutions in the developing countries to boost their capacity to manage development policies and projects;
- (vii) increased acknowledgement of environmental considerations in Community development aid;
- (viii) importance of the role of women in development and its place in Community projects;
- (ix) support for regional integration measures in all sectors where Community support has a positive contribution to make;
- (x) importance of regular evaluation of Community cooperation and incorporation of its findings in programmes.

Latin America

253. The fifth EEC-Central America Ministerial Conference (San José V) was held in San Pedro Sula (Honduras) on 27 and 28 February 1989.

Those taking part in the meeting considered the Community's progress in implementing the projects decided upon at the previous ministerial meeting in Hamburg in February 1988, in response to an appeal by the Central American countries to the international community. It was found that the level of Community cooperation approved for the region in 1988 had been very substantial and had, for the first time, exceeded the figure of ECU 100 million.

In addition, in line with the commitment made at the San Pedro Sula Ministerial Conference to contribute to the process of peace and development in the region by

implementing specific and supplementary actions, the Community decided to make a contribution of ECU 43.5 million to financing the first tranche of a programme to set up a regional payments system in Central America. This was designed to boost inter-regional trade, reactivate the integration process and foster the economic development of the isthmus. It was agreed that the follow-up to the project remained linked to the peace process in the region.

The Community thus confirmed, as agreed with its Central American partners, its willingness to give priority to regional projects designed to step up integration between the isthmus countries.

254. The Council bodies began preparing for the sixth EEC-Central America Ministerial Conference (San José VI), scheduled to take place in Dublin in April 1990.

A meeting was held between the Ministers for Foreign Affairs of the Community, with Commission participation, and the Foreign Ministers of the Group of Eight in Granada on 14 and 15 April 1989, and a similar meeting was held in New York in September 1989. Participants in the meetings highlighted the inter-relationship between the progress of democracy and development in Latin America, and considered relations between Latin America and the Community of Twelve in general.

Asia

INDIAN SUBCONTINENT

255. The Joint EEC-Sri Lanka Committee, which met in Brussels on 14 December 1989, reviewed developments in the various sectors of cooperation between the two parties.

Sri Lanka emphasized its efforts to promote and diversify its exports and its desire for joint ventures to be set up with European undertakings in various industrial sectors, especially textiles.

For its part, the Community pointed to the importance of development aid for Sri Lanka, and declared itself ready to consider embarking upon direct action to improve the social situation and help rural communities.

Furthermore, the Community noted that Sri Lanka was approaching self-sufficiency, so that it ought to be possible to scale down Community food aid in the future.

RELATIONS WITH THE ASEAN COUNTRIES

256. The Community took part in the post-ministerial Asean meeting in Brunei in July 1989.

In view of the fact that the Joint EEC-Asean Committee was held in Brussels in December 1988 and that the EEC-Asean Ministerial Conference has been postponed until February 1990, there were no meetings at ministerial level in 1989.

Regular EEC-Asean bilateral cooperation naturally continued in all the areas provided for in the 1980 Agreement (cooperation on trade, industry, investment, science, training, development, etc.) through the various joint committees and working parties set up under the Agreement.

H — North-South Dialogue

Conferences

257. In 1989 the Community continued working towards a constructive and realistic North-South Dialogue, in particular in the preparatory discussions for the meetings and conferences on development problems to be held in 1990, including:

- (i) the Special Session of the United Nations General Assembly devoted to international economic cooperation, in particular to the revitalization of economic growth and development of the developing countries (New York, 23 to 27 April 1990);
- (ii) the second United Nations Conference on the Least-Developed Countries (Paris, 3 to 14 September 1990);
- (iii) the 44th meeting of the General Assembly of the United Nations (New York, starting 18 September 1990), which will be adopting the international development strategy for the fourth United Nations development decade and making a final appraisal of the United Nations programme of action for African economic revival and development, 1986 to 1990.

Commodities

258. It was a difficult year for the commodities sector, resulting in lower prices overall for a number of raw materials, whether agricultural, tropical or industrial (down approximately 21% on the previous year, calculated on the basis of 32 representative products). Furthermore, international commodities cooperation was overshadowed by the failure of negotiations for a new international coffee agreement in July, and the deterioration in prices which ensued, plus the vain attempts to solve the crisis facing the International Cocoa Agreement.

COFFEE

259. With the 1983 International Coffee Agreement due to expire on 30 September 1989, the International Coffee Organization (ICO) started talks with a view to renegotiating the agreement, the aim being to draw up an 'enhanced' agreement — based mainly on the economic mechanisms of the 1983 Agreement (imposition of quotas when prices are low) — which would remove or at least considerably reduce the weaknesses of the old Agreement, namely price distortion (coffee being sold to non-member countries on more favourable terms) and the problem of supplying the market with different types of coffee in line with demand.

Several negotiating sessions were held (in February, April, June and July). The Community and its Member States took part on the basis of a common position adopted by the Council on 14 November 1988, supplemented on 22 May 1989 and updated by the Permanent Representatives Committee on 1 June 1989 in the light of the turn taken in the negotiations. This common position set out the main components of a new agreement designed — after a transitional period — to solve the two major problems mentioned above through the concept of a 'universal quota'. The negotiations proved very difficult, bearing in mind the divergent interests at stake and the complex technical problems to be solved. Despite the Community's efforts at conciliation, no conclusion was reached at the last negotiating session in July.

Seeing that it was impossible to make any progress by 30 September 1989, the date on which the Agreement ran out, the Organization decided to suspend the application of export quotas with effect from 4 July (Resolution No 348) and renew the 1983 Agreement for two years while suspending Chapter VII (economic provisions) (Resolution No 347). At Community level, the EEC Council meeting on 29 September 1989 decided¹ to notify the UN that the Community would provisionally apply the 1983 Agreement as extended pursuant to Resolution No 347 until 30 September 1991.

Moved by their awareness and concern at the negative consequences (loss of export earnings) of this situation for most producer countries, the Community and its Member States have made a series of representations to the producer countries in the last three months to show the Community's interest in pursuing international cooperation in this sector. The Strasbourg European Council also reaffirmed the need to resume negotiations for a new agreement as soon as possible. Accordingly, Community experts started discussions (at the end of December) with a view to a resumption of negotiations in 1990.

¹ Decision published in OJ L 299, 17.10.1989.

COCOA

260. The 1986 International Cocoa Agreement had another difficult year. The two sessions of the Council of the International Cocoa Organization (ICCO) in March and September ended in failure. Producer and consumer countries could not reach an understanding on contentious issues which had already hampered the Agreement in the past¹ (including the price bracket, delays in payment by producer countries aggravating the Agreement's already difficult financial situation, suspension of the withdrawals mechanism, difficulties with rotation of the buffer stock, disagreement on suspension or at least considerable reductions in the trade levy). On the basis of common positions agreed in the Council bodies, the Community and its Member States tried to help solve the crisis by adopting a constructive approach, particularly at the September ICCO Council session when attempts were made to work out a compromise on the questions in dispute. However, these attempts foundered for financial reasons.

At the end of the year the Community bodies also began preliminary discussions on the future of the Agreement, bearing in mind that it was due to expire on 30 September 1990.

RUBBER

261. The Council of the 1987 International Agreement which entered into force provisionally on 29 December 1988 and definitively on 3 April 1989 (for five years) held two regular sessions. Apart from problems of day-to-day management, decisions were taken on the balance resulting from the 1979 International Agreement (INRO I). On the Community side, the Council received a proposal from the Commission concerning EEC conclusion of the 1987 International Agreement, on which the Council was required to act by the end of 1990, in view of the extended INRO deadline for the deposit of instruments of ratification (December 1990).

TIN/COPPER

262. Tin: following expiry of the VIth International Tin Agreement, with a view to continuing international cooperation on tin by other means, a United Nations negotiating conference, which had already met in 1988, reached agreement at its March/April 1989 meeting on the terms of reference of an International Study Group on Tin. These terms of reference were open for agreement. The Group is intended to contribute to market transparency by collecting statistics and preparing studies. At the end of 1989, working on a Commission proposal, the Community bodies started examining whether the Community should agree to these terms of reference.

¹ For details, see the 36th Review, paragraph 253.

Copper: the United Nations Conference which met in June 1988 and February 1989 also resulted in the formulation, on 24 February 1989, of the terms of reference of an International Group on Copper aimed at improving international cooperation in the sector, in particular through the collection of statistics and the preparation of studies. The terms of reference were deposited at the United Nations and open for agreement.

TROPICAL TIMBER

263. Day-to-day management (work programme, priorities for selecting projects and programmes and carrying out projects) of the ITTO¹ formed the subject of two annual sessions of the Council and its Committees at Abidjan and Yokohama, at the headquarters of the Organization. The Community and its Member States took an active part in these meetings.

In addition, the Organization continued to be concerned about environmental protection problems. The threat to the preservation of tropical forests (deforestation), and its repercussions for world climate and the environment, led international and Community bodies to pay constant attention to these problems. Thus, the Western Economic Summit (Paris, 14 to 16 July 1989) made recommendations to the producer and consumer countries and to specialized international organizations, such as the ITTO, to unite in their efforts to improve the conservation of tropical forests. The ITTO in particular must reconcile the objectives set out in the 1983 Agreement, concerned, on the one hand, with promoting trade in timber and, on the other, with protecting the environment. At the Council session in Yokohama, the Community made suggestions for the introduction of a 'normative' approach to the ITTO's work, e.g. by drawing up standards for sustainable forest management. This approach was in line with the common position previously established by the relevant Council bodies in Brussels. This idea should be taken up at the ITTO's next session, scheduled to be held in Indonesia in the first half of 1990.

JUTE

264. The Council and Committees of the International Jute Organization (IJO) held two regular sessions on the day-to-day management of the 1982 Agreement. In addition, negotiations behind the scenes at the Jute Council session in Dhaka in March resulted in a draft new Agreement. A United Nations negotiating conference, held in Geneva at the end of October/beginning of November and chaired by a representative of a Community Member State, endorsed the results obtained, subject to confirmation, in March. The Community and its Member States took part in this Conference on the basis of common positions adopted by the Community bodies in

¹ International Tropical Timber Organization.

Brussels. The text of the new Agreement, which is open for signing and ratification, is based mainly on the 1982 Agreement (an agreement of the Common Fund 'second window' type, without economic clauses) containing in addition provisions to cater for aspects relating to the environment and human resources. The producers, who had initially pressed for an agreement with economic clauses to stabilize prices, gave up their demands during the final discussions.

COMMON FUND

265. The idea of setting up a Common Fund was launched at the fourth session of Unctad in Nairobi in 1976, and formed part of the integrated programme for commodities adopted by that Conference. The negotiations which led to adoption of the Agreement setting up the Fund were held under the auspices of Unctad from 1976 to 1980. The Agreement entered into force on 19 June 1989, the requisite number of ratifications having been attained.

The first annual meeting of the Fund was held in Geneva from 10 to 21 July 1989. It decided to locate its headquarters in Amsterdam, elected the Fund's Managing Director and Governing Council and finalized a number of financial and administrative provisions to make the Fund operational as quickly as possible.

Following Portugal's ratification of the Agreement on 19 June 1989, the 12 Member States of the Community are now members of the Fund. The Community as such signed the Agreement on 21 October 1981. On 27 September 1989, the Commission referred a proposal to the Council for approval of the Agreement on the Community's behalf.

The Community and its Member States consider that, owing to developments in the commodities sector since the Common Fund Agreement was negotiated, the role of the second account (research and development, improving productivity, marketing, diversification, etc.) should be strengthened compared with that of the first account (financing buffer stocks under international product agreements).

WHEAT/OILIVE OIL/SUGAR¹

FAO: APPLICATION FOR EEC ACCESSION

266. Following a decision taken by the Council at its meeting on 24 April, the Presidency sent a letter to the Director-General of the FAO, Mr Saouma, on 26 April, stating that the European Economic Community wished to obtain FAO membership status. Following this accession application, the Commission began exploratory talks with the FAO Secretariat, which are due to continue in 1990.

¹ See paragraph 336 *et seq.* of this Review.

Chapter V — Common fisheries policy

267. The year 1989 saw considerable progress in consolidating and strengthening the common fisheries policy.

The Council:

- (i) approved a Regulation replacing Regulation (EEC) No 355/77 in respect of fisheries structures;
- (ii) adopted a financing programme to encourage the monitoring of fish stocks;
- (iii) adopted TACs/quotas for 1990 showing a move towards greater severity regarding the conservation of resources;
- (iv) extended and consolidated its relations with the outside world, by concluding a new five-year fisheries protocol with Greenland, extending the Agreement with the United States, and developing the Community's fisheries relations with the State trading countries and the countries of the Indian Ocean and Latin America.

A — Community arrangements for conservation and management of resources

TACs and quotas

268. Having twice increased the 1989 TAC for cod in the Channel,¹ at its meeting on 18 and 19 December 1989 the Council fixed the total allowable catches for 1990² and related measures. It showed increased severity, to prevent some stocks being destroyed, but without neglecting the adverse social effects that fishermen might suffer as a result of a disproportionate reduction in the size of catches.

¹ Regulations (EEC) Nos 2278/89 of 24 July 1989 and 3729/89 of 27 November 1989 (OJ L 218, 28.7.1989 and OJ L 364, 14.12.1989).

² Regulation (EEC) No 4047/89 of 19 December 1989 (OJ L 389, 30.12.1989).

The following table compares the 1990 TACs with those for 1989. In general the TACs tend to be down on 1989, especially for white North Sea fish (including cod and haddock) and Norwegian Arctic cod (Svalbard).

Wherever any improvement in the biological situation of species made it possible to increase TACs, the Council did so; this was the case with common sole in the North Sea (II, IV), for which TACs were increased from 14 000 t to 25 000 t.

Species	Zone	1989 TAC	1990 TAC
Herring	III a	138 000	120 000
Herring	III b, c, d ¹	38 000	38 000
Herring	II a ¹ , IV a, b	484 000	385 000
Herring	IV c, VII d	30 000	30 000
Herring	V b ¹ , VI a North, VI b	58 000	75 000
Herring	VI a South, VII b, c	20 000	27 500
Herring	VI a, Clyde	3 200	2 600
Herring	VII a	6 000	7 000 ²
Herring	VII e, f	500 ²	500 ²
Herring	VII g, h, j, k	20 000 ²	17 500
Sprat	III a	80 000 ²	65 000 ²
Sprat	III b, c, d ¹	13 000	17 000
Sprat	II a ¹ , IV ¹	59 000 ²	59 000 ²
Sprat	VII d, e	12 000 ²	12 000 ²
Anchovy	VIII	32 000	30 000 ²
Anchovy	IX, X, Copace 34.1.1 ¹	6 000 ²	9 000 ²
Salmon	III b, c, d ¹	800 ²	800 ²
Capelin	II b (Svalbard)		
Cod	II b (Svalbard)	11 550	5 280
Cod	III a Skagerrak	20 500	21 000
Cod	III a Kattegat	12 500	8 500
Cod	III b, c, d ¹	75 000	73 500
Cod	II a ¹ , IV	124 000	105 000
Cod	V b ¹ , VI, XII, XIV	18 430	16 000
Cod	VII b, c, d, e, f, g, h, j, k, VIII, IX, X, Copace 34.1.1. ¹	23 900	24 000
Cod	VII a	15 000	15 300

¹ EC-zone.

² Precautionary TAC.

Species	Zone	1989 TAC	1990 TAC
Haddock	III a, III b, c, d ¹	10 000 ²	10 000 ²
Haddock	II a ¹ , IV	68 000	50 000
Haddock	V b ¹ , VI, XII, XIV	35 000	24 000
Haddock	VII, VIII, IX, X Copace 34.1.1. ¹	6 000 ²	6 000 ²
Saithe	II a ¹ , III a, III b, c, d ¹ , IV	170 000	120 000
Saithe	V b ¹ , VI, XII, XIV	30 000	29 000
Saithe	VII, VIII, IX, X Copace 34.1.1. ¹	14 000 ²	14 000 ²
Pollack	V b ¹ , VI, XII, XIV	1 100 ²	1 100 ²
Pollack	VII	14 000 ²	14 000 ²
Pollack	VIII a, b	2 600 ²	2 600 ²
Pollack	VIII c	800 ²	800 ²
Pollack	VIII d	50 ²	50 ²
Pollack	VIII e, IX, X	100 ²	100 ²
Pollack	Copace 34.1.1. ¹	450 ²	450 ²
Norway pout	II a ¹ , III a, IV ¹	200 000 ²	200 000 ²
Blue whiting	II a ¹ , IV ¹	90 000	90 000
Blue whiting	V b ¹ , VI, VII	534 000	510 000
Blue whiting	VIII a, b, d	26 500 ²	26 500 ²
Blue whiting	VIII e	1 100 ²	1 000 ²
Blue whiting	VIII c, IX, X Copace 34.1.1. ¹	50 000 ²	50 000 ²
Whiting	III a	17 000 ²	17 000 ²
Whiting	II a ¹ , IV	115 000	125 000
Whiting	V b ¹ , VI, XII, XIV	16 400	11 000
Whiting	VII a	18 170	15 000
Whiting	VII b, c, d, e, f, g, h, j, k	19 300 ²	24 000
Whiting	VIII, IX, X	5 000 ²	5 000 ²
Whiting	Copace 34.1.1. ¹	2 640 ²	2 640 ²
Hake	III a, III b, c, d ¹	1 300 ²	1 300 ²
Hake	II a ¹ , IV ¹	2 120 ²	2 310
Hake	V b ¹ , VI, VII, XII, XIV	33 750 ²	36 890
Hake	VIII a, b, d, e	22 500 ²	24 600 ²

¹ EC-zone.

² Precautionary TAC.

Species	Zone	1989 TAC	1990 TAC
Hake	VIII c, IX, X Copace 34.1.1. ¹	20 000 ²	20 000 ²
Horse mackerel	II a ¹ , IV ¹	45 000 ²	40 000 ²
Horse mackerel	V b ¹ , VI, VII, XII, XIV	121 500 ²	162 500 ²
Horse mackerel	VIII a, b, d, e	28 000 ²	37 500 ²
Horse mackerel	VIII c	28 000 ²	21 000
Horse mackerel	IX, X Copace 34.1.1. ¹	45 000 ²	34 000
Mackerel	II a ¹ , III a, III b, c, d ¹ , IV	49 200	45 200
Mackerel	II, V b ¹ , VI, VII, VIII a, b, d, e, XII, XIV	349 200	349 200
Mackerel	VIII c, IX, X Copace 34.1.1. ¹	36 570 ²	36 570 ²
European plaice	III a Skagerrak	15 000 ²	11 000 ²
European plaice	III a Kattegat	4 000	2 000
European plaice	III b, c, d ¹	3 000 ²	3 000 ²
European plaice	II a ¹ , IV	185 000	180 000
European plaice	V b ¹ , VI, XII, XIV	2 000 ²	2 000 ²
European plaice	VII a	5 800	5 100
European plaice	VII b, c	200 ²	200 ²
European plaice	VII d, e	11 700	10 700
European plaice	VII f, g	2 500	1 900
European plaice	VII h, j, k	1 150 ²	1 150 ²
European plaice	VIII, IX, X Copace 34.1.1. ¹	700 ²	700 ²
Common sole	III a, III b, c, d ¹	800	500
Common sole	II, IV V b ¹ , VI, XII, XIV	14 000	25 000
Common sole	VII a	110 ²	130 ²
Common sole	VII a	1 480	1 050
Common sole	VII b, c	60 ²	60 ²
Common sole	VII d	3 850	3 850
Common sole	VII e	1 000	900
Common sole	VII f, g	1 000	1 200
Common sole	VII h, j, k	720 ²	720 ²
Common sole	VIII a, b	4 800	5 200

¹ EC-zone.

² Precautionary TAC.

Species	Zone	1989 TAC	1990 TAC
Common sole	VIII c, d, e, IX, X Copace 34.1.1. ¹	1 860 ²	1 860 ²
Megrim	V b ¹ , VI, XII, XIV	4 840 ²	4 840 ²
Megrim	VII	15 880 ²	15 880 ²
Megrim	VIII a, b, d, e	2 220 ²	2 220 ²
Megrim	VIII c, IX, X Copace 34.1.1. ¹	13 000 ²	13 000 ²
Anglerfish	V b ¹ , VI, XII, XIV	8 600 ²	8 600 ²
Anglerfish	VII	33 080 ²	33 080 ²
Anglerfish	VIII a, b, d	9 910 ²	9 910 ²
Anglerfish	VIII e	100 ²	100 ²
Anglerfish	VIII c, IX, X Copace 34.1.1. ¹	12 000 ²	12 000 ²
Shrimps	French Guiana	4 810 ²	4 100
Deep water prawns	III A Skagerrak	3 100 ²	2 750 ²
Norway lobster	V b ¹ , VI	16 000 ²	16 000 ²
Norway lobster	VII	26 000 ²	26 000 ²
Norway lobster	VIII a, b	7 500 ²	7 500 ²
Norway lobster	VIII c	600 ²	800 ²
Norway lobster	VIII d, e	50 ²	50 ²
Norway lobster	IX, X Copace 34.1.1. ¹	4 720 ²	4 720 ²

¹ EC-zone.

² Precautionary TAC.

Technical conservation measures

269. The Council:

- (i) amended Council Regulation (EEC) No 3094/86 for the eighth time, making some technical adjustments to the length of beam trawlers;¹
- (ii) amended the same Regulation for the ninth time,² allowing the use of selective twin codend trawls for prawn and Norway lobster fishing.

Furthermore, given the worrying situation of certain demersal stocks, particularly in the North Sea, the Council and the Commission agreed to amend technical fishing conditions in due course, as part of a general approach, in particular as regards minimum mesh sizes, minimum landing sizes and discards.

¹ Regulation (EEC) No 2220/89 of 18 July 1989 (OJ L 222, 22.7.1989).

² Regulation (EEC) No 4056/89 of 19 December 1989 (OJ L 389, 30.12.1989).

Monitoring

270. The Council adopted a Decision on a Community financial contribution towards expenditure incurred by Member States for the purpose of ensuring compliance with the Community system for the conservation and management of fishery resources.¹ It provides for:

- (i) a budget of ECU 22 million annually for an initial period of five years;
- (ii) a Community contribution to eligible expenditure incurred by Member States of at least 35%, up to a maximum of 50%, per Member State, per year.

The Council noted that in the first half of 1990 the Commission would be submitting conservation proposals likely to extend the territorial scope of this Decision to the Mediterranean.

The Council extended Decisions due to expire at the end of 1989, on a Community financial contribution to fishing monitoring and supervision facilities in the waters of:

Portugal (until 31 December 1991)²

and the Member States in general (until 31 December 1990).³

B — Common organization of the market

Tariff measures

271. In February 1989 the Council adopted a Regulation opening for 1989 a number of autonomous Community tariff quotas for some 10 fishery products.⁴ The partial suspension, within certain quantitative limits, of the Common Customs Tariff duties is essentially designed to allow the Community processing industry to face up to competition from processed products coming from third countries.

¹ Decision 89/631/EEC of 27 November 1989 (OJ L 364, 14.12.1989).

² Decision 89/609/EEC of 27 November 1989 (OJ L 351, 2.12.1989).

³ Decision 89/648/EEC of 18 December 1989 (OJ L 380, 29.12.1989).

⁴ Regulation (EEC) No 542/89 of 23 February 1989 (OJ L 60, 3.3.1989).

On 29 May 1989 the Council adopted a Regulation amending Regulation (EEC) No 3796/81 on the common organization of the market in fishery products¹ and Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.

This amendment concerns the import into the EEC during the period 15 February to 15 June of fresh and chilled herring flaps to which a GATT-bound customs duty exemption applied on an annual basis.

Since from January 1988 a new customs tariff applied, based on the Harmonized Commodity Description and Coding System, and since, when the change was made from the old nomenclature to the Harmonized System, the exemption was not applied to fresh and chilled herring flaps, a customs duty of 15% was levied on them.

In the light of information showing that the Community was making significant imports of these products, in particular from Norway and Sweden, it was deemed necessary to reintroduce the total suspension of customs duties on these products for the period 15 February to 15 June.

In December, the Council adopted two Regulations

- (i) opening autonomous Community tariff quotas applicable from 1 April to 31 December 1990 for certain fishery products.²
- (ii) partially suspending, from 1 April to 31 December 1990, the autonomous Community duties on fillets of hake and Alaska pollack.³

Both are essentially designed to help the Community processing industry face up to competition from processed products coming from third countries.

Common prices

272. The prices applicable in the fisheries sector for the marketing year 1 January to 31 December 1990 were fixed by the Council on 27 November 1989.

For the fresh and chilled products listed in Annex I(A), (D) and (E), to Regulation (EEC) No 3796/81, most of the guide prices were either kept at their 1989 level or adjusted by only a modest amount.⁴

¹ Regulation (EEC) No 1495/89 of 29 May 1989 (OJ L 148, 1.6.1989).

² Regulation (EEC) No 4043/89 of 19 December 1989 (OJ L 388, 30.12.1989).

³ Regulation (EEC) No 4044/89 of 19 December 1989 (OJ L 388, 30.12.1989).

⁴ Regulation (EEC) No 3646/89 of 27 November 1989 (OJ L 357, 7.12.1989).

For herring, the Council has repeated for 1990 the experiment agreed on in 1989 of fixing a seasonal guide price for August and September lower than the price applicable during the remainder of the fishing year. A 10% reduction was agreed on for Norway lobster tails.

For the frozen products listed in Annex II to the same Regulation, the Council made a 13.5% reduction for squid of the species *Loligo*, 11.5% for the species *Ommastrephes* and 11.5% for the species *Illex* as compared with 1989 in order to align Community prices more closely on world market prices.¹

As regards the producer price for tuna intended for the canning industry, in view of the trend in the market prices for this particular product, it has been decreased for the fourth successive year, by 1% as compared with 1989.²

Sardine sector

273. In June, the Council adopted a Regulation to enter into force on 1 January 1990 on the introduction of minimum quality standards for preserved sardines marketed in the Community, thus including preserved sardines coming from third countries.³ This Regulation is designed to improve the profitability of sardine production in the Community by enhancing the quality of the product and harmonizing existing marketing standards for it.

C — Fisheries structures policy

274. On 19 December 1989 the Council adopted Regulation (EEC) No 4042/89⁴ replacing Regulation (EEC) No 355/77 in order to facilitate the adaptation of the conditions under which fishery and aquaculture products are marketed and processed to the development of the common fisheries policy.

The Regulation takes account of:

- (i) the objectives of the reform of the structural Funds and in particular the concentration of the action being taken in certain regions of the Community, and
- (ii) the specific nature of the fisheries sector.

¹ Regulation (EEC) No 3647/89 of 27 November 1989 (OJ L 357, 7.12.1989).

² Regulation (EEC) No 3648/89 of 27 November 1989 (OJ L 357, 7.12. 1989).

³ Regulation (EEC) No 2136/89 of 21 June 1989 (OJ L 212, 22.7.1989).

⁴ OJ L 388, 30.12.1989.

This Regulation thus supplements the system of Community measures established in December 1986 by Regulation (EEC) No 4028/86.

In this way the Community is able to participate in the financing of investment throughout the Community including in the Canary Islands and Ceuta and Melilla, while:

- (i) complying with the three-stage procedure provided for when the structural Funds were reformed; and
- (ii) granting regions concerned by Objective 1 a participation rate of 50% and the other regions a rate of 30%.

D — Fisheries relations between the Community and certain third countries

Norway

275. Over the year the Council has had to amend slightly the quotas granted to Community vessels in Norwegian waters and vice versa.

For 1990, on 19 December 1989¹ the catch possibilities were established for:

- (i) common stocks in the North Sea, where the TACs have been reduced as compared with 1989 particularly with respect to cod and haddock. The TAC for herring was set at 415 000 tonnes, with the parties agreeing that it could be adjusted in the light of the scientific findings of the May 1990 meeting of the ACFM. The scale was set at 71% of the overall TAC for the Community and 29% for Norway;
- (ii) Community catch possibilities in Norwegian waters North of 62° N, which were significantly reduced, particularly as regards cod (from a 1989 figure of 7 500 to 3 750 tonnes), haddock (from a 1989 figure of 3 000 to 480 tonnes) and saithe (from 7 000 tonnes in 1989 to 4 900 tonnes). These reductions reflect the shortage of the stocks in question;
- (iii) Norwegian catch possibilities in Community waters.

During these same consultations, the parties autonomously set their respective TACs for 'West' mackerel for 1990. The Community maintained the same TAC as in 1989 (349 200 tonnes) (ICES Divisions Vb (EEC zone), VI, VII, VIIIa, b, d, e, XII, XIV),

¹ Regulations (EEC) Nos 4048/89 and 4049/89 of 19 December 1989 (OJ L 389, 30.12.1989).

while Norway increased its TAC from the 1989 figure of 91 670 tonnes to a 1990 level of 111 670 tonnes. As in the past, flexibility has been provided for in fishing zones west of 4° W and between parallels 59° N and 62° N.

Sweden

276. On 24 April 1989¹ the Council adopted the traditional additional catch quotas within the EFTA framework resulting from the accession of Spain and Portugal to the EEC. The gradual opening up of the Spanish market to imports of products from EFTA after accession was balanced by the grant of certain cod and herring quotas to the Community.

The Council also agreed to an additional herring quota offered by Sweden which did not require the Community to provide financial compensation.²

The annual fishery arrangements establishing the reciprocal rights and fishing conditions for 1990 were set on 16 December 1989.³ The Community has kept fishing possibilities, in particular for cod and salmon, in the former 'white zone' of the Baltic Sea.

Faeroe Islands

277. The annual fishery arrangements with the Faeroe Islands were concluded on 31 October 1989.⁴ The Council made provision for flexibility in Faeroese fishing for mackerel west of 4° W and north of 59° N of the Community zone.

The Faeroe Islands also granted the Community the right to exercise directed fishing for cod throughout the year in a large part of their south-east zone.

United States of America

278. On 23 February 1989⁵ the Council extended the agreement with the United States for a further two-year period (until 1 July 1991), with certain changes as compared with the previous agreement. These changes take account of developments in the law and policy applicable by the United States in the fisheries sphere.

¹ Regulation (EEC) No 1059/89 of 24 April 1989 (OJ L 113, 24.4.1989).

² Regulation (EEC) No 4057/89 of 19 December 1989 (OJ L 389, 30.12.1989).

³ Regulations (EEC) Nos 4050/89 and 4051/89 of 19 December 1989 (OJ L 389, 30.12.1989).

⁴ Regulations (EEC) Nos 4052/89 and 4053/89 of 19 December 1989 (OJ L 389, 30.12.1989).

⁵ Decision 89/167/EEC of 23 February 1989 (OJ L 63, 7.3.1989).

Furthermore, the quotas allocated to Community fishermen in United States waters during 1989 were confined to mackerel.

USSR, GDR and Poland

279. Negotiations with the Soviet Union are continuing with a view to the conclusion of a fishing agreement with that country.

In addition, negotiations with the GDR began on 13 and 14 December 1989. Contacts have been initiated with Poland with a view to beginning negotiations.

Greenland

280. The Council has accepted and allocated among the Member States for 1989:

- (i) an additional quota offered by Greenland of 4 000 tonnes of the western cod stock (NAFO 0/1), which involved an additional financial contribution of ECU 981 880 from the Community;¹
- (ii) a supplementary quota of 8 000 tonnes of capelin off East Greenland (ICES Divisions XIV, V) subject to an adjustment of the financial compensation by ECU 196 376.²

The Council also approved provisional application of the new Fisheries Protocol between the EEC and Greenland and allocated the catch possibilities³ at its meeting on 18 and 19 December 1989. The Protocol:

- (i) is applicable for a period of five years (from 1 January 1990 to 31 December 1994);
- (ii) increases the Community quotas for cod and capelin and reduces the redfish quota at the request of the Community, thus ensuring that greater benefit is derived from this Protocol:

cod — western stock:	16 000 t (+ 4 000 t);
cod — eastern stock:	15 000 t (+ 3 500 t);
redfish — eastern stock:	46 820 t (— 11 000 t);
capelin:	30 000 t (+ 30 000 t);

¹ Regulation (EEC) No 1578/89 of 5 June 1989 (OJ L 156, 8.6.1989).

² Regulation (EEC) No 2370/89 of 28 July 1989 (OJ L 225, 3.8.1989).

³ Decision 89/650/EEC of 19 December 1989 (OJ L 389, 30.12.1989);
Regulation (EEC) No 4054/89 of 19 December 1989 (OJ L 389, 30.12.1989).

(iii) makes provision for gradual transfer of the Community shrimp quotas from the western stock to the eastern stock, offset by an equally gradual increase in the amount of this quota as follows:

	Western stock	Eastern stock	Total
1990	1 000	4 500	5 500
1991	600	4 900	5 500
1992	400	5 100 + 125	5 625
1993	0	5 500 + 175	5 675
1994	0	5 500 + 175	5 675

(iv) sets the financial compensation for Greenland at ECU 34.25 million.

Japan

281. On 23 February 1989¹ the Council adopted an extension, for the period 1 March to 30 June 1989, of the autonomous fishing arrangements applicable to Japanese longliners fishing for bluefin tuna in Portuguese waters.

The arrangements laid down for 1989 differ from those established for the 1986 to 1988 periods, since they involve certain cutbacks as regards fishing zones (only the waters off Madeira), the amount of fishing authorized (reduction in the maximum number of licences from 25 to 15) and the total catches authorized (reduction from 240 to 120 tonnes).

Latin America

282. Further to the interest expressed by the Council, the Commission initiated exploratory talks with States in Latin America, in particular Mexico, Argentina and Peru, with a view to interesting them in the conclusion of fisheries agreements with the Community.

African and North African countries, countries in the Indian Ocean and the Caribbean

283. During the year, the Community has further developed its network of fishing agreements with the coastal States of Africa and the Indian Ocean.

In particular, a Fisheries Protocol was concluded with Angola² for a one-year period (3 May 1989 to 2 May 1990) offering fishing possibilities for shrimp vessels, ocean-going tuna freezer boats and experimental fishing by demersal trawlers and

¹ Regulation (EEC) No 529/89 of 23 February 1989 (OJ L 59, 2.3.1989).

² Regulation (EEC) No 3466/89 of 30 October 1989 (OJ L 341, 23.11.1989).

surface longliners. Community financial compensation amounting to ECU 7 925 000 is provided for, together with contributions amounting to ECU 400 000 to the financing of Angolan scientific and technical programmes and ECU 270 000 for staff training and study awards.

284. A Fisheries Protocol was concluded with Madagascar¹ for a period of three years (21 May 1989 to 20 May 1992) with the following fishing opportunities:

- (a) for tuna fishing, licenses were granted to 45 ocean-going freezer tuna vessels,
- (b) concerning shrimps, this Protocol makes provision for a reconnaissance campaign each year involving a Community vessel in water deeper than 50 metres with the cooperation of Malagasy and Community scientists,
- (c) a financial contribution of ECU 1 800 000 and a contribution of ECU 900 000 to finance the campaigns to find crustaceans, a contribution of ECU 600 000 towards the financing of a Malagasy scientific programme on highly migratory species as well as ECU 500 000 for study or practical training awards.

285. Without prejudice to the Opinion of the European Parliament on a proposal for a Regulation on a Fisheries Protocol for a two-year period between the Community and Guinea-Bissau, initialled on 9 June 1989, the Council decided on provisional application of that Protocol (16 June 1989 to 15 June 1991).² The fishing possibilities are as follows:

freezer shrimp trawlers: 10 000 grt a month, annual average;

freezer fin fish and cephalopod trawlers: 5 000 grt a month, annual average;

freezer tuna seiners: 45 vessels;

pole-and-line tuna vessels: 15 vessels;

surface longliners: 35 vessels.

The Community financial compensation amounts to ECU 10 830 000. The Community is also contributing ECU 550 000 to the financing of a Guinea-Bissau scientific and technical programme. In addition, ECU 550 000 has also been allocated for study and practical training awards.

286. Furthermore, without prejudice to the Opinion of the European Parliament on a proposal for a Regulation on a Fisheries Protocol for a three-year period between the Community and Equatorial Guinea, initialled on 2 June 1989, the Council decided on the provisional application of this Protocol (27 June 1989 to 26 June 1992).³

¹ Regulation (EEC) No 3465/89 of 30 October 1989 (OJ L 341, 23.11.1989).

² Decision 89/675/EEC (OJ L 398, 30.12.1989).

³ Decision 89/551/EEC (OJ L 299, 17.10.1989).

The fishing possibilities are as follows:

freezer trawlers: 9 000 grt/month, annual average;

tuna seiners: 40 vessels;

surface longliners: 30 vessels.

The financial compensation to be paid by the Community amounts to ECU 6 000 000 for the entire duration of the Protocol. Furthermore, the Community is contributing ECU 500 000 to the financing of an Equatorial Guinea scientific and technical programme. An amount of ECU 665 000 has also been allocated for study and practical training awards.

287. Negotiations with Mozambique were also concluded on 13 September 1989 with the initialling of a two-year Protocol (1 January 1990 to 31 December 1991) offering the following fishing possibilities.

ocean-going tuna seiners: 44 licences;

shrimp trawlers operating exclusively in deep waters: 1 100 grt/month, annual average;

shrimp trawlers operating in deep waters and for surface shrimps: 3 700 grt/month, annual average.

The Community is granting financial compensation of ECU 4 300 000 and is contributing ECU 1 950 000 to the financing of scientific and technical programmes as well as to a reconnaissance campaign to find new resources for which it has allocated ECU 600 000.

288. Furthermore, negotiations with Guinea Conakry culminated on 14 December 1989 in the initialling of a two-year Protocol (1 January 1990 to 31 December 1991) covering the following fishing opportunities:

trawlers: 12 000 grt/month, annual average;

freezer tuna seiners: 45 vessels;

pole-and-line tuna vessels and surface longliners: 35 vessels.

These are subject to financial compensation of some ECU 6 700 000. ECU 400 000 is allocated to the financing of a scientific and technical programme while ECU 400 000 is set aside for study grants.

289. With respect to fisheries in the Indian Ocean, the Council approved a fishing agreement with Mauritius¹ relating essentially to tuna fishing and also making provision for experimental fishing for crustaceans.

¹ Agreement initialled on 23 November 1988 but not yet signed (OJ L 159, 10.6.1989).

Negotiations have been held with the following countries: Somalia, Côte d'Ivoire, Tanzania, Sri Lanka and Sierra Leone; in the latter case, an agreement was signed on 16 November 1989. Moreover, the Council expects to open negotiations with the Maldives and Cape Verde following exploratory talks during the year. Negotiating directives with Malta were agreed on by the Council on 13 April 1989, demonstrating the Council's interest in further extending its fisheries relations in the Mediterranean.

E — International organizations

290. As in the past the Community has participated in proceedings within the organs of the various international fisheries Conventions, of which the following are the most notable:

Convention for the Conservation of Salmon in the North Atlantic Ocean (Nasco);
Convention on Fishing and Conservation of Living Resources in the Baltic (IBSFC);
Convention on Future Multilateral Cooperation in North-West Atlantic Fisheries (NAFO);

Convention on Future Multilateral Cooperation in North-East Atlantic Fisheries (NEAFC);

Convention on the Conservation of Maritime Resources in the Antarctic (CCAMLR);

International Convention for the Conservation of Atlantic Tunas (Iccat);

International Convention on the Conservation of the Living Resources of the South-East Atlantic (Icseaf);

OECD;

FAO.

291. Where work within these organizations has resulted in specific recommendations regarding the conservation of resources, the Commission has put proposals before the Council designed to incorporate these recommendations into Community legislation.

Accordingly, the Council has implemented the technical conservation measures¹ adopted by the IBSFC at its 14th session (1988) and the TACs agreed on for herring, sprat and cod for 1990, with the TAC for salmon being set autonomously.

On 3 May 1989 the Council adopted a Regulation² laying down certain technical measures for the conservation of fish stocks in the Antarctic as adopted at the seventh annual meeting of the CCAMLR (1988).

¹ Regulation (EEC) No 887/89 of 5 April 1989 (OJ L 94, 7.7.1989).

² Regulation (EEC) No 1271/89 of 3 May 1989 (OJ L 127, 11.5.1989).

On 28 July 1989¹ the Council amended the catch possibilities for cod for 1989 in NAFO Divisions 2J and 3KL, reducing them from 84 000 to 58 400 t.

The Community also presented its objections to the 1990 TACs adopted within NAFO with the exception of cod in Division 3M, capelin in Division 3NO and squid of the species *Illex* in subzones 3 and 4. The Council thus adopted autonomous quotas based on the conservation requirements for the fishery resources in the region and the level of Community catches.²

¹ Regulation (EEC) No 2368/89 of 28 July 1989 (OJ L 225, 3.8.1989).

² Regulation (EEC) No 4055/89 of 19 December 1989 (OJ L 389, 30.12.1989).

Chapter VI — Common agricultural policy

292. During 1989 the Council continued with the work it had put in hand earlier to bring about the reform of the common agricultural policy. Significant changes were made in the common organization of markets in the beef and veal and in the sheep and goatmeat sectors. Price decisions for the 1989/90 marketing year, adopted in April 1989, reflected the policy followed in previous years. A series of measures were adopted concerning income aid and in the structural context the Council adopted a number of measures implementing the action programme for the forestry sector in the Community for the years 1989 to 1992.

A — Guidelines for the common agricultural policy

Adjustment to the common organizations of agricultural markets

293. Following on from the political agreement which had been reached at its meeting on 23 and 24 January on a series of measures for the reform of the common agricultural policy, the Council made a number of adjustments to some common organizations of the market.

In the beef and veal sector it was decided that from 3 April 1989 public intervention buying would be by tendering, with a ceiling of 220 000 tonnes per year for the entire Community on the quantities bought in; the Council would re-examine this maximum quantity before 1 April 1991, in the light of experience and market prospects. Buying-in by tender will begin where in a Member State or in one region of a Member State for two consecutive weeks the Community market price is less than 88% of the intervention price and the market price in the Member State concerned or region of the Member State concerned is less than 84% of the intervention price. In the event of an abnormal situation on the market provision is made for the Commission to buy in additional quantities, and all offers of 80% or less of the intervention price must be accepted. Such intervention buying must take place if the market price is less than 80% of the intervention price in at least three Member States or regions

representing at least 55% of male bovine animal production, or where the market price is less than 78% of the intervention price for any particular category.¹

294. As regards the various systems of premiums in this sector, the Council decided not to extend the calf birth premium or the variable slaughter premium. It did, on the other hand, extend the premium for maintaining suckler cow herds, raising the level of that premium from ECU 25 to ECU 40 per cow. Member States were also free to grant an additional premium of ECU 25 per cow nationally. In the case of Greece, Ireland and Northern Ireland, ECU 20 of this additional premium is to be financed by the EAGGF.²

The Council also maintained the special premium for male bovine animals which was set at ECU 40 per head up to a ceiling of ECU 90 per head. The premium is granted only once in the lifetime of the animal which must be aged at least nine months, although the Member States are free to set a minimum age of 12 months. The premium may be paid either at the holding or at the time of slaughter, and the aid must go to the producer himself. A review will be carried out before 1 April 1992 of the operation of the option of payment at the time of slaughter.³

295. In the cereals sector, the Council decided in March 1989 essentially to maintain for the next three marketing years the main features of the general rules governing the special arrangements applicable to small producers in the framework of the co-responsibility arrangements.⁴ The allocation among the Member States of the overall amount of aid of ECU 220 million for small producers as compensation for the co-responsibility levy will be made by the Commission in accordance with the Management Committee procedure in the light of sales by producers marketing not more than 25 tonnes per year.

296. In the milk sector, following the judgment handed down by the Court of Justice in 1988, the Council adopted a series of measures relating to the adjustment of the milk quota system and certain related measures.⁵ Under these measures producers who entered into an undertaking by virtue of Regulation (EEC) No 1078/77 introducing a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds (SLOM producers) and who have not therefore delivered milk or milk products during the reference year adopted by the Member State concerned will be able to claim their right to a specific quota if they meet certain conditions; the quota allocated must represent 60% of the quantity for which the right to the premium for the non-marketing of milk has been retained. To this end

¹ Regulation (EEC) No 571/89 (OJ L 61, 4.3.1989).

² Regulation (EEC) No 573/89 (OJ L 63, 7.3.1989).

³ Regulation (EEC) No 572/89 (OJ L 63, 7.3.1989).

⁴ Regulation (EEC) No 729/89 (OJ L 80, 23.3.1989).

⁵ Regulations (EEC) Nos 763/89, 764/89, 766/89 (OJ L 84, 29.3.1989).

the Community reserve was increased by 600 000 tonnes, this quantity to be allocated among eligible producers through the national reserves.

At the same time, with effect from 1 April 1989, it was decided to reduce the co-responsibility levy for small producers by 0.5% for those producers whose deliveries are 60 000 kg or less;¹ it was also decided to reduce the intervention price for butter by 2%.²

297. The Council adopted a series of measures to strengthen the competitiveness of production of nuts by providing additional encouragement for setting up producer organizations and strengthening their role as regards production and marketing.³

298. In the sheepmeat and goatmeat sectors the Council adopted a Regulation, on 25 September 1989, reforming the common organization of the market.⁴ The approach adopted aims at achieving by the end of a transitional period and no later than 1 January 1993, a single market involving a system of premiums based on the distinction between the two types of production predominant in the Community, namely, the sheepmeat production which results in heavy lambs and the sheepmeat production linked with milk production which results in light lambs. A distinction will ultimately be drawn, not between zones or regions, but between production systems, with differing methods for calculating the compensatory premium.

It should be easier through this approach to attain the objective of creating a unified system within the Community. Certain transitional measures have been laid down to enable the various regions to adjust to the new system. The present separate stabilizers, one for the United Kingdom and the other for the rest of the Community, will be gradually merged into a single stabilizer for the entire Community, as the effective dismantling of the ewe premium during each marketing year progresses. Provisions have also been adopted regarding the limits on the size of flocks for the purposes of payment of the ewe premium and abolishing intervention in this sector as from 1 January 1990; market price support will henceforth be achieved by means of adjustments to the private storage system.

Lastly, the Commission announced that it intended to place proposals concerning stabilizers in this sector before the Council before the start of the next marketing year.

299. In the context of stabilization measures in the fruit and vegetables sector, the Council decided, on 27 April 1989, to introduce an intervention threshold for apples and cauliflowers,⁵ calculated on the basis of average production over the last five

¹ Regulation (EEC) No 765/89 (OJ L 84, 29.3.1989).

² Regulation (EEC) No 767/89 (OJ L 84, 29.3.1989).

³ Regulations (EEC) Nos 789/89 and 790/89 (OJ L 85, 30.3.1989).

⁴ Regulation (EEC) No 3013/89 (OJ L 289, 7.10.1989).

⁵ Regulation (EEC) No 1121/89 (OJ L 118, 29.4.1989).

marketing years for consumption fresh. If the threshold is exceeded during a marketing year, the basic and buying-in prices will be reduced for the following marketing year. Before the end of the 1990/91 marketing year, the Commission will examine and, where necessary, propose adjustments to the threshold set for the 1991/92 marketing year on the basis of market trends.

On 18 July 1989 the Council adopted a Regulation fixing an intervention threshold for oranges in Spain for the 1988/89 marketing year.¹ This threshold was set at 15% of the average quantities produced and intended to be consumed fresh during the last five marketing years. If this threshold is exceeded, the institutional prices applying in Spain for the 1989/90 marketing year will be reduced by 1% for each 18 100 tonnes by which the threshold is exceeded.

Lastly, it should be noted that in the context of the agricultural price review for the 1989/90 marketing year, the Council invited the Commission to keep a close watch on the effect of the stabilizers on the allocation of land according to crops grown and/or on the balance between the major crops grown (cereals, sugar, oilseeds). The Commission will report to the Council after the 1990 and 1991 sowing years.

Agricultural prices and related measures

300. On 22 April 1989 the Council reached unanimous agreement on the package of agricultural prices and related measures for the 1989/90 marketing year.² The Council's decision confirmed the policy put in hand during recent marketing years of keeping a tight rein on production; generally speaking and without prejudice to the application of stabilizers the effect of the Council's decision was to extend unchanged the level of prices in ecus which had obtained in the previous marketing year, except in the case of durum wheat, sugar and citrus fruits. In parallel there was a stepping-up of the measures designed to assist small producers and farmers in less-favoured regions, particularly in the case of durum wheat, olive oil and milk.

In the area of cereals the Council continued its exercise of aligning the price for durum wheat on that for soft wheat by reducing the intervention price by 5.5%. Production aid, on the other hand, was increased by 16% and extended to new regions in Greece and Spain. As regards cereals as a whole, the Council decided firstly to reduce the intervention period by one month and the amount of monthly increases by 12.5% and secondly to recalculate transport costs, resulting in a slight reduction in the target price.

301. The Council decided to maintain the intervention price for paddy rice and reduce by 9.1% the production aid for Indica-type varieties. As in the case of cereals, the amount of monthly increases was reduced by 12.5%.

¹ Regulation (EEC) No 2167/89 (OJ L 289, 7.10.1989).

² OJ Nos L 118, 29.4.1989, L 126, 9.5.1989, L 128 and L 129, 11.5.1989.

In the sugar sector the price of beet was reduced by 2%, a net reduction for the producer of 1.7% after allowance has been made for the effect of the levies. The reduction in the intervention price for sugar, also of 2%, was applied as from 1 October 1989 in order to avoid devaluation of sugar stocks.

It was also decided firstly that Italy should maintain the national aids provided for in Article 46 of the basic sugar Regulation for the 1989/90 and 1990/91 sugar years at 90 and 80% respectively of the overall financial commitment in ecus already authorized for the 1988/89 marketing year and secondly that national aid in the French overseas departments would be maintained at the level of the 1988/89 marketing year as a transitional measure until adoption of the measures forming part of the Poseidon programme.

302. As in the case of cereals, prices for oilseeds were fixed at the same level as for the preceding marketing year, the intervention period was reduced by one month and the monthly increases were reduced by 12.5%. It was also decided to defer until 1992/93 the entry into force of the system for paying aid to double-zero varieties of rapeseed only, although aid for varieties containing erucic acid, where these are intended for industrial use, will be maintained.

With regard to olive oil, the ceiling to be applied for determining 'small producers' was increased to 400 kg. It was also decided that part of the production aid, the level of which was to remain unchanged, would go to financing the activities of producer organizations and their unions. Another section of aid would as in the past be used to finance regional measures to improve the standard of olive oil production.

303. In the sector covering peas, broad beans and field beans, the minimum price for peas was maintained at the level set for the 1988/89 marketing year while the price of broad beans and field beans was reduced by 4%. For all these products the amount of the monthly increases was reduced by 12.5%.

The guide prices for red wines of R I and R II types were reduced by 2.5% while prices for type A II white wines were increased by 2%. Prices for other wines were not changed. In addition, Member States were also authorized to grant national aid for formalizing short-term storage contracts for table wines and musts.

304. Prices for most fresh fruit and vegetables were maintained with only the basic prices and buying-in prices for oranges and mandarins being reduced by 7.5%. In order to reduce the volume of withdrawals, the Council also amended the system of aid for the processing of citrus fruits. It decided to extend this system firstly to the processing into juice of all varieties of oranges as well as mandarins, clementines and satsumas and secondly to the preparing in segments for canning of clementines and satsumas, with the minimum price for products given over for processing being fixed at the withdrawal price level.

In the processed fruit and vegetable sector the Council decided to include peaches and pears tinned in their own juice amongst the products entitled to processing aid within the existing threshold, to authorize Portugal to transfer 20 000 tonnes from its tomato concentrate quota to the quota for other tomato products and lastly to extend for the 1989/90 marketing year the present aid arrangements for tinned pineapple in syrup produced in the French overseas departments.

305. As regards tobacco, prices and premiums were frozen for all varieties of tobacco for the 1989 harvest; for the Tsebelia, Mavra and Forchheimer Havanna varieties for the 1989, 1990 and 1991 harvests the intervention price was reduced from 85 to 75% of the target price in the light of the considerable quantities brought forward for intervention. New maximum guaranteed quantities (MGQs) were set for the 1989 and 1990 harvests by means of reducing the MGQs for Groups III, IV and V varieties and increasing the MGQs for varieties in Groups I and II.

In the milk products sector, the co-responsibility levy was set at 0% for all producers in less-favoured regions and for other regions at 1% for producers of less than 60 000 kg (actual quota available) and at 1.5% for other producers.

It was agreed that this reduction in the co-responsibility levy constituted the first step in a programme to dismantle this charge. The reductions adopted were offset by a reduction of 2% in the intervention price for butter in order to ensure that this operation resulted in budget neutrality.

Agri-monetary questions

306. At its meeting on 23 and 24 January the Council adjusted the conversion rates to be applied in agriculture¹ with a view to attaining a threefold objective:

- (i) following the Council's agreement on the reform of the common organization of the market in beef and veal, the dismantling of negative monetary compensatory amounts (MCAs) in accordance with the decisions taken in other sectors when the prices were fixed for the 1988/89 marketing year;
- (ii) the promotion of appropriate action to assist Greece, to take account of its economic situation and the way in which its trade was developing in order to continue, along the lines of the decision adopted when the prices package and related measures were adopted for the 1988/89 marketing year, the adjustment of the green rates in Greece, leading to a reduction in the negative real monetary gap of six points;
- (iii) the abolition of the application of MCAs in the pigmeat sector in Ireland (dismantling a minimum monetary gap in addition to the dismantling agreed on in July 1988 when the 1988/89 prices were adopted).

¹ Regulation (EEC) No 194/89 of 24 January 1989 (OJ L 25, 28.1.1989).

307. When fixing the agricultural prices for the 1989/90 marketing year the Council decided on measures to be taken during the second stage of the dismantling operation in accordance with the four-stage timetable agreed on in July 1988 which was to lead to the complete elimination of the gaps before the end of 1992. The new green rates adopted¹ involve the abolition of MCAs for all currencies which comply with the EMS disciplines, the only exceptions being negative MCAs for Greece (-2.6% for cereals and sugar) and for the United Kingdom (-2.6% in respect of plant products). Positive MCAs now apply only in respect of Spain (5.9% for milk and beef and veal and 4.9% for vegetable products).

The Council also laid down the conversion rates to be applied in Spain from 1 January 1990 in the fresh fruit and vegetables sector (beginning of the second stage of the transitional period and, as a result, application of the common market organization mechanisms) and the rates applicable in Portugal for rice and milk, to which certain provisions of the CAP had been extended.²

308. The situation regarding MCAs at 1 January 1990, following the decisions taken in 1989 and monetary trends during that year, was as follows:

- (i) no MCA applied in Belgium, Denmark, Germany, France, Ireland, Luxembourg or the Netherlands;
- (ii) as regards sectors subject to MCAs in other Member States the monetary gaps obtaining were as given below:

Greece:	milk, bovine animals	— 27.1
	pigmeat	— 1.5
	poultry, wine	— 6.1
	cereals, sugar	— 9.6
	olive oil	— 1.1
Spain:	milk, bovine animals	+ 2.6
	cereals, sugar	+ 1.6
Italy:	milk, bovine animals,	
	sugar	— 1.0
	cereals	— 1.6
Portugal:	sugar	— 4.3
United Kingdom:	milk	— 15.8
	beef and veal	— 12.1
	pigmeat	— 8.1
	poultry	— 13.2
	cereals, sugar	— 16.7
	olive oil	— 8.2

¹ Regulation (EEC) No 1129/89 of 27 April 1989 (OJ L 119, 29.4.1989).

² Regulation (EEC) No 3756/89 of 11 December 1989 (OJ L 365, 15.12.1989).

Agri-financial questions

309. The year 1989 was marked by a remarkable stepping-up of the fight against fraud, the prevention and prosecution of irregularities affecting the budget of the Communities and the strengthening of control measures. Further to the statements made by the Council and the Commission concerning the fight against fraud (13 March 1989) Regulations were adopted in the following fields:

- (i) adjustments designed to improve the operation and control of intervention storage measures (compilation at regular intervals of actual inventories of products stored, so as to be able to compare them with accounting and financial data);¹
- (ii) stepping up the verification of commercial documents from undertakings benefiting from the EAGGF Guarantee Section financing system (accounting control).²

In addition, as regards payment by the EAGGF Guarantee Section of intervention measures, the Council adopted two Regulations enabling the costs arising from special measures designed to guarantee the utilization and/or destination of products from public stocks to be reimbursed at a flat rate.³

B — Management of the common agricultural policy

310. As it does each year, in 1989 the Council took a number of measures relating to market management and the adaptation of basic regulations; the main thrust of these measures is set out below.

Plant products

CEREALS

311. To counteract the shortage of fodder caused by the prolonged drought in Italy, the Council adopted a Regulation on 6 March 1989⁴ on the transfer to Italy of 300 000 tonnes of barley held by the Spanish intervention agency.

¹ Regulation (EEC) No 3757/89 of 11 December 1989 (OJ L 365, 15.12.1989).

² Regulation (EEC) No 4045/89 of 21 December 1989 (OJ L 388, 30.12.1989).

³ Regulations (EEC) Nos 787/89 and 788/89 of 20 March 1989 (OJ L 85, 30.3.1989).

⁴ Regulation (EEC) No 592/89 (OJ L 65, 9.3.1989).

On 19 June 1989 the Council adopted three Regulations¹ aimed at getting the growing of high-quality flint maize under way in those regions of the Community which, by reason of their climate, are particularly suitable for the production of this cereal, which is used for processing into groats and meal for human consumption.

312. In the context of managing the stabilization mechanisms in this sector, in accordance with the undertaking entered into when the agricultural price package was adopted for the 1989/90 marketing year, the Council placed before the Commission in September 1989 a report on the operation of the co-responsibility levy system for cereals; this report was accompanied by a proposal for a Regulation designed to simplify the current system regarding the additional co-responsibility levy and reduce the difficulties connected with the levying and repayment of the levy during the marketing year. This proposal was discussed by the Council at its meeting on 20 and 22 November 1989 when the Council considered an approach whereby an additional co-responsibility levy of 3% of the intervention price would no longer be levied at once as it is at present. Instead, a flat-rate amount of 1.5% would be levied for the entire marketing year. During the following marketing year the additional levy would be adjusted on the basis of the level of the final harvest (within a bracket ranging from -1.5 to +1.5%). The Council agreed to take a final decision on this matter once it had received the Opinion of the European Parliament on the Commission's proposal.

In the same context of simplifying the system, the Council adopted a Regulation on 4 December 1989² amending the basic cereals Regulation, the aim of which was to provide for the additional co-responsibility levy not to be collected in the event of a very slight over-run in the maximum guaranteed quantity.

RICE

313. On 19 June 1989 the Council adopted an amendment³ to Regulation (EEC) No 1418/76 on the common organization of the market in rice. This amendment concerns the special import arrangements for milled rice from Reunion and its aim is to ensure that Reunion's rice industry is competitive.

SUGAR

314. On 18 April the Council adopted an amendment to Regulation (EEC) No 1785/81 on the common organization of the markets in the sugar sector.⁴ The aim

¹ Regulations (EEC) Nos 1834/89, 1835/89 and 1836/89 (OJ L 180, 27.6.1989).

² Regulation (EEC) No 3707/89 (OJ L 363, 13.12.1989).

³ Regulation (EEC) No 1806/89 (OJ L 177, 24.6.1989).

⁴ Regulation (EEC) No 1069/89 (OJ L 144, 27.4.1989).

of this amendment was to extend to Portugal Community aid for the preferential raw cane sugar refining industry in respect of the quantities of raw sugar imported from third countries under Article 303 of the Act of Accession of Spain and Portugal and refined into white sugar in Portugal. The aid in question amounts to ECU 0.08/100 kg of sugar expressed as white sugar for the 1988/89 and 1990/91 marketing years.

Further to its decision on prices for Community sugar for the 1989/90 marketing year, on 23 October 1989 the Council instructed the Commission to negotiate agreements between the Community and the ACP States referred to in the Sugar Protocol annexed to the third ACP-EEC Convention on the one hand and between the Community and the Republic of India on the other concerning guaranteed prices for preferential cane sugar originating in those countries during the 1989/90 delivery period.

OILS AND FATS

315. On 25 September 1989 the Council adopted two Regulations, the first amending Regulation (EEC) No 136/66 on the establishment of a common organization of the markets in oils and fats¹ and the second amending Regulation (EEC) No 591/79 laying down general rules concerning the production refund for olive oil used in the manufacture of certain preserved foods.² The aim of these two Regulations is to extend the list of those categories of preserved foods which may benefit from a system of production refunds for olive oil utilized in their manufacture and to include preserved crustaceans and molluscs.

The representative market price and the threshold price for olive oil for the 1989/90 marketing year were fixed by the Council on 24 October 1989 at, respectively, ECU 190.61/100 kg and ECU 189.43/100 kg.³ Consumption aid was fixed at ECU 61/100 kg and it was agreed that this aid would be subject to deductions of 1.4% to finance professional bodies and 4% for measures to promote consumption.

On 11 December 1989 the Council adopted a Regulation, firstly with the aim of allowing Greece, Spain and Portugal to authorize producer organizations other than those covered by the general arrangements to conclude contracts for the storage of olive oil and secondly concerning the definition of olive oil intended for export.⁴

¹ Regulation (EEC) No 2902/89 (OJ L 280, 29.9.1989).

² Regulation (EEC) No 2903/89 (OJ L 280, 29.9.1989).

³ Regulation (EEC) No 3280/89 (OJ L 320, 1.11.1989).

⁴ Regulation (EEC) No 3778/89 (OJ L 367, 16.12.1989).

WINE

316. On 24 January the Council adopted a Regulation¹ extending until 31 July 1989 the special arrangements whereby certain facilities were granted for imports of wine products originating in third countries; the measure here concerns wine imported from the United States. The special arrangements in question were subsequently extended until 31 December 1989 by a Regulation dated 24 July² and until 31 July 1990 by a Regulation dated 11 December.³

In the Regulation of 11 December the Council also introduced provisions designed to make Tokay wines imported from Hungary subject to the general arrangements applied to imports of wine from third countries; these provisions are linked to those concerning Tokay wines included in a Regulation adopted by the Council on 7 December, the purpose of which is to facilitate the import into the Community of certain Austrian, Hungarian and Swiss wines which are characterized by special conditions governing wine-making either as regards total alcoholic strength by volume or total acidity content.

Still on the matter of derogations in favour of third countries, the Council adopted on 24 July⁴ and 11 December⁵ two Regulations extending until 31 December 1989 and 31 July 1990 respectively derogations permitting the supply and delivery for direct human consumption of certain imported wines which may have undergone oenological practices not covered by the basic wine Regulation No 822/87; this measure relates to wines from the United States.

317. On 17 April the Council adopted a Decision⁶ allowing France and Italy to derogate from certain of the deadlines set for completing statistical surveys of areas under vines.

On 3 May the Council adopted a Regulation⁷ whose aim was to do away, in the rules concerning descriptions, with the requirement to bear the words 'table wine' in the case of wines whose names cover their typically regional character.

On the same date the Council also adopted a Decision⁸ authorizing France and Italy to grant from 1 September to 15 December 1989 aid for the short-term private storage of table wines and musts.

¹ Regulation (EEC) No 222/89 (OJ L 29, 31.1.1989).

² Regulation (EEC) No 2390/89 (OJ L 216, 27.7.1989).

³ Regulation (EEC) No 3887/89 (OJ L 378, 27.12.1989).

⁴ Regulation (EEC) No 2245/89 (OJ L 216, 24.7.1989).

⁵ Regulation (EEC) No 3888/89 (OJ L 378, 27.12.1989).

⁶ Decision 89/287/EEC (OJ L 112, 25.4.1989).

⁷ Regulation (EEC) No 1237/89 (OJ L 128, 11.5.1989).

⁸ Decision 89/311/EEC (OJ L 128, 11.5.1989).

On 1 June the Council adopted a Regulation¹ extending to Spain the price arrangements for compulsory distillation laid down by the Council in 1988 in the context of agricultural stabilizers.

On 19 June the Council adopted three Regulations² on quality wines produced in specified regions (quality wines psr.) in order to strengthen the provisions relating to areas of production and methods for the preparation of these wines, including sparkling wines, and the provisions relating to the description and presentation of the latter type of wine.

318. On 19 June the Council also adopted the following:

a Regulation³ to improve the system of controls in the wine sector; specifically this Regulation provides for the setting-up of and rules of operation for a body of Community officials specialized in controls to work in cooperation with national authorities;

a Regulation⁴ aligning the definition of rectified concentrated must originating in third countries on that applied to the Community product;

a Regulation⁵ representing the consolidation of general rules for distillation operations involving wine and the by-products of wine;

four other consolidations were adopted by the Council on 24 July by means of Regulations⁶ relating respectively to:

- (i) the classification of vine varieties,
- (ii) the import of wines, grape juice and grape must,
- (iii) the definitions of certain products in the wine sector originating in third countries,
- (iv) the description and presentation of still wines and grape musts.

These Regulations replaced Regulations (EEC) Nos 347/79, 354/79, 339/79 and 355/79; Regulation (EEC) No 2390/89 was also modified on 11 December in order to make more precise the rules governing the indication of certain specific details on wine labels.⁷

¹ Regulation (EEC) No 1535/89 (OJ L 151, 3.6.1989).

² Regulations (EEC) Nos 2043/89, 2044/89 and 2045/89 (OJ L 202, 14.7.1989).

³ Regulation (EEC) No 2048/89 (OJ L 202, 14.7.1989).

⁴ Regulation (EEC) No 2047/89 (OJ L 202, 14.7.1989).

⁵ Regulation (EEC) No 2046/89 (OJ L 202, 14.7.1989).

⁶ Regulations (EEC) Nos 2389/89, 2390/89, 2391/89, 2392/89 (OJ L 232, 9.8.1989).

⁷ Regulation (EEC) No 3887/89 (OJ L 378, 27.12.1989).

319. A Regulation on the fixing of total alcoholic strength by volume and total acidity content of certain imported quality wines¹ was adopted by the Council on 7 December 1989; this Regulation, which repeals Regulation (EEC) No 2931/80, is designed to enable certain wines originating in Hungary and Switzerland to be imported into the Community.

On 11 December the Council repealed² Regulation (EEC) No 353/79 concerning coupage and wine making in free zones for products originating in third countries, since the Regulation in question was of no further practical relevance.

Lastly the Council extended³ until 31 January 1990 Regulation (EEC) No 3310/75 on the arrangements applicable to Luxembourg wines, which was due to expire on 31 December following a first extension until that date by virtue of a Council Regulation⁴ of 23 January 1989.

SPIRITS

320. Following a decision taken at the second reading by the European Parliament, the Council formally adopted on 29 May the Regulation laying down general rules on the definition, description and presentation of spirituous beverages⁵ on which it had reached a common position in December 1988.⁶ This Regulation lays down Community definitions for generic terms such as rum, whisky and gin as well as quality standards to be complied with when preparing these products. The specific characteristics of whisky having thus been defined, the Council on 4 December 1989 adopted an amendment designed to clarify the scope of Regulation (EEC) No 1188/81 laying down general rules for granting refunds adjusted in the case of cereals exported in the form of certain spirituous beverages.⁷

FRESH FRUIT AND VEGETABLES

321. A specific measure for certain grain legumes was adopted by the Council on 20 March 1989.⁸ This Regulation provides for the introduction of aid arrangements per hectare for maintaining production of chick-peas, lentils and vetches,

¹ Regulation (EEC) No 3677/89 (OJ L 360, 9.12.1989).

² Regulation (EEC) No 3885/89 (OJ L 378, 27.12.1989).

³ Regulation (EEC) No 4001/89 (OJ L 382, 30.12.1989).

⁴ Regulation (EEC) No 196/89 (OJ L 25, 28.1.1989).

⁵ Regulation (EEC) No 1576/89 (OJ L 160, 12.6.1989).

⁶ See 36th Review, paragraph 314.

⁷ Regulation (EEC) No 3708/89 (OJ L 363, 13.12.1989).

⁸ Regulation (EEC) No 762/89 (OJ L 80, 23.3.1989).

and introduces a maximum guaranteed Community area. The measure applies until the end of the 1991/92 marketing year.

An amendment to Regulation (EEC) No 2240/88 and Regulation (EEC) No 2285/88 in respect of the rules for applying the intervention threshold for lemons was adopted on 1 June 1989 in order to take account, in establishing any over-run of the threshold for a given marketing year, of the quantities withdrawn over a period of 12 consecutive months overlapping that marketing year.¹

In Regulation (EEC) No 2167/89² the Council set an intervention threshold for oranges in Spain since intervention operations had been carried out in Spain in respect of oranges of the 1988/89 crop.

On 23 October 1989 the Council adopted a Regulation laying down general rules for applying the supplementary trade mechanism to fresh fruit and vegetables.³ By comparison with the supplementary trade mechanism previously in force these provisions are a simplified system for the products concerned.

322. On 22 November 1989 the Council, on the basis of the prices already adopted by the Spanish authorities for the beginning of the 1989/90 marketing year, set the basic and buying-in prices for certain fruit and vegetables to be applied in Spain from 1 January 1990 — when the second transitional phase begins — until the end of the 1989/90 marketing year.⁴

In order to introduce into the system of aid for the processing of oranges into juice an element enabling the competitiveness of the Community raw material to be maintained against that of third countries, on 18 December 1989 the Council adopted an amendment to Regulation (EEC) No 2601/69 laying down special measures to encourage the processing of mandarins, satsumas, clementines and oranges.⁵

Lastly, on 1 December 1989 the Commission forwarded to the Council a report on the market in citrus fruit in the Community. This report, which gives a statistical analysis of the sector, is intended as support for consideration of further actions to be developed in the sector.

¹ Regulation (EEC) No 1521/89 (OJ L 149, 1.6.1989).

² Regulation (EEC) No 2167/89 (OJ L 208, 20.7.1989).

³ Regulation (EEC) No 3210/89 (OJ L 312, 27.10.1989).

⁴ Regulation (EEC) No 3514/89 (OJ L 344, 25.11.1989).

⁵ Regulation (EEC) No 3848/89 (OJ L 374, 22.12.1989).

PROCESSED FRUIT AND VEGETABLES

323. On 28 July 1989 the Council adopted an amendment¹ to Regulation (EEC) No 1277/84 laying down general rules for the system of production aid for processed fruit and vegetables. In this amendment the Council both adjusted the calculation of processing aid by basing it on the difference between the minimum production price and the price of the raw material in the third country, and created the possibility of neutralizing any currency discrepancies between green rates and the actual rates of Community currencies by applying monetary adjustment as it already exists in other agricultural sectors.

On 20 November 1989 the Council set for the 1989/90 marketing year the 'significant specific percentage' provided for in Regulation (EEC) No 426/86, thus enabling an additional premium to be paid for processed tomato products.²

HOPS

324. On the basis of the Commission report on the production and marketing of hops in 1988, the Council on 19 June 1989 laid down the amount of aid to producers for the 1988 harvest, namely:

ECU 330/ha for aromatic varieties;

ECU 390/ha for bitter and other varieties.³

The Council also amended Regulation (EEC) No 1981/82 drawing up the list of Community regions in which production aid for hops is granted only to producer groups.⁴ This amendment enabled producers in Ireland to receive the aid in question directly as there were no recognized producer groups in that country.

Lastly the Council adopted an amendment⁵ to Regulation (EEC) No 2997/87 laying down, in respect of hops, the amount of aid to producers for the 1986 harvest and providing for special measures for certain regions of production. This amendment, in accordance with the Council conclusions concerning the fixing of the 1989/90 agricultural prices, extended the possibilities for granting special conversion aid.

¹ Regulation (EEC) No 2367/89 (OJ L 225, 3.8.1989).

² Regulation (EEC) No 3487/89 (OJ L 340, 23.11.1989).

³ Regulation (EEC) No 1807/89 (OJ L 177, 24.6.1989).

⁴ Regulation (EEC) No 1808/89 (OJ L 177, 24.6.1989).

⁵ Regulation (EEC) No 1809/89 (OJ L 177, 24.6.1989).

PEAS, FIELD BEANS AND SWEET LUPINS

325. On 19 June 1989 the Council adopted a Regulation¹ amending Regulation (EEC) No 2036/82 adopting general rules concerning specific measures for peas, field beans and sweet lupins. This amendment was intended to simplify control by providing for approval of the 'first buyer', redefining eligible products and introducing a security upon import of the products concerned.

In order to resolve the difficulties of adjustment which emerged following the introduction of the concept of identification of products in this sector under the special measures laid down in Regulation (EEC) No 2036/82, on 25 September 1989 the Council authorized the Commission to extend the transitional measures provided for in Regulation (EEC) No 1832/85.²

DRIED FODDER

326. On 24 July 1989 the Council adopted an amendment³ to Regulation (EEC) No 1117/78 on the common organization of the market in dried fodder. This amendment increased aid for sun-dried fodder in Spain because the former level of aid did not enable competitiveness *vis-à-vis* artificially dried fodder to be ensured.

Animal products

MILK PRODUCTS

327. On 20 February 1989 the Council adopted a Decision extending certain provisions on the supply of milk and milk products at a reduced price to cover Portugal.⁴ This Decision extended to Portugal, from 1 January 1989, the benefit of the aid arrangements at the reduced price for pupils at educational establishments.

As regards imports of New Zealand butter into the United Kingdom on special terms, on 21 March 1989 the Council extended from 1 April to 31 May 1989 the provisions previously in force on the matter⁵ with a corresponding adjustment of the quantities. These provisions were subsequently extended with the appropriate adjustment of the quantities until 30 June, then until 31 July and finally until 30 September 1989.⁶ On 25 September 1989 the Council reached agreement on the continuation

¹ Regulation (EEC) No 1789/89 (OJ L 176, 23.6.1989).

² Regulation (EEC) No 2904/89 (OJ L 280, 29.9.1989).

³ Regulation (EEC) No 2275/89 (OJ L 218, 28.7.1989).

⁴ Decision 89/144/EEC (OJ L 53, 25.2.1989).

⁵ Regulation (EEC) No 770/89 (OJ L 84, 29.1.1989).

⁶ Regulations (EEC) Nos 1497/89 (OJ L 148, 1.6.1989), 1856/89 (OJ L 181, 28.6.1989), 2331/89 (OJ L 220, 29.7.1989).

of these imports and adopted a Regulation laying down the quantities which could be imported into the United Kingdom during the four years from 1989 to 1992 with a special reduced levy of ECU 45.83/100 kg.¹ The quantities were set at 64 500 tonnes for 1989, 61 340 tonnes for 1990, 58 170 tonnes for 1991 and 55 000 tonnes for 1992. The rate of the special levy was adjusted on 11 December 1989 to take account of the adjustment of the buying-in price for butter of Community origin and was set at ECU 44.02/100 kg.²

In view of the persistent downward trend in butter consumption, on 25 September 1989 the Council adopted a Regulation amending Regulation (EEC) No 1307/85 authorizing the Member States to grant consumption aid for butter.³ This amendment extended the possibility of granting such aid for the 1989/90 marketing year.

328. In the context of its decisions on prices and related measures for the 1989/90 marketing year, the Council requested the Commission to conduct an in-depth study of the operation of the quota system and to formulate any appropriate proposals by 31 July in order to avoid market distortions and discrimination among producers.

On the basis of the report and proposals submitted by the Commission, the Council, after several discussions, at its meeting on 11 and 12 December 1989 adopted a set of Regulations intended to resolve certain specific problems encountered in the operation of the milk quota system.⁴ In general terms the approach adopted by the Council comprises:

- (i) an increase of 1% in the Community reserve as from 1 April 1989;
- (ii) arrangements for distributing this increase in the reserve enabling Member States to take account of their specific situations;
- (iii) measures intended to ensure that the exercise has no budgetary effect, namely: a reduction of 2.5% in the buying-in price for butter, a reduction of 0.75% in the buying-in price for skimmed-milk powder from 1 March 1990 and an increase of 15% in the supplementary levy from 1 March 1990.

329. At that meeting the Council also adopted two Regulations on the management of this sector. Firstly it decided to reduce the level of the levy on imports of Halloumi cheese, traditionally produced in Cyprus, by amending Regulation (EEC) No 2915/79 determining the groups of products and the special provisions for calculating levies on milk and milk products.⁵ Secondly the Council extended by three months, until 31 March 1990, the provisions in force concerning the restriction

¹ Regulation (EEC) No 2967/89 (OJ L 281, 30.9.1989).

² Regulation (EEC) No 3894/89 (OJ L 378, 27.12.1989).

³ Regulation (EEC) No 2902/89 (OJ L 280, 29.9.1989).

⁴ Regulations (EEC) Nos 3879/89, 3880/89, 3881/89, 3882/89, 3883/89 and 3884/89 (OJ L 378, 27.12.1989).

⁵ Regulation (EEC) No 3884/89 (OJ L 378, 27.12.1989).

on the granting of aid for skimmed milk processed into casein or caseinates for specific uses¹ so that the effects of this restriction could be more accurately assessed.

BEEF AND VEAL

330. The estimates for the period from 1 January to 31 December 1989 in the beef and veal sector were adopted by the Council on 2 March 1989. These estimates concern imports of:

175 000 head of young male bovine animals weighing 300 kg or less and intended for fattening;²

20 000 tonnes of beef and veal intended for the processing industry.³

In connection with these estimates the Council also decided to open for 1989 an exceptional import quota for 6 000 tonnes of high-quality meat at a customs duty set at 20%.⁴

On 19 June 1989 the Council adopted two Regulations opening and providing for the administration of a Community tariff quota for the period from 1 July 1989 to 30 June 1990, at a duty of 4%, for:

42 600 head of heifers and cows, other than those intended for slaughter, of certain mountain breeds;⁵

5 000 head of bulls, cows and heifers, other than those intended for slaughter, of certain Alpine breeds.⁶

These two Regulations were amended on 11 December 1989 in order to make certain improvements to the system in the light of experience obtained in the administration of those quotas.⁷

331. On 11 December 1989 the Council adopted a set of Regulations opening and providing for the administration of tariff quotas for 1990 for:

53 000 tonnes of frozen meat of bovine animals to be imported at a duty of 20%;⁸

¹ Regulation (EEC) No 3895/89 (OJ L 378, 27.12.1989).

² Act 89/168/EEC (OJ L 63, 7.3.1989).

³ Act 89/169/EEC (OJ L 63, 7.3.1989).

⁴ Regulation (EEC) No 574/89 (OJ L 63, 7.3.1989).

⁵ Regulation (EEC) No 1787/89 (OJ L 176, 23.6.1989).

⁶ Regulation (EEC) No 1788/89 (OJ L 176, 23.6.1989).

⁷ Regulation (EEC) No 3893/89 (OJ L 378, 27.12.1989).

⁸ Regulation (EEC) No 3889/89 (OJ L 378, 27.12.1989).

1 500 tonnes of frozen skirt, to be imported at a duty of 4%;¹

34 300 tonnes of high-quality fresh, chilled or frozen meat of bovine animals to be imported at a duty of 20%;²

250 tonnes of frozen buffalo meat, to be imported at a duty also of 20%.³

SHEEPMEAT AND GOATMEAT

332. In its discussions on the reform of the common organization of the market in sheepmeat and goatmeat, on 25 September 1989 the Council adopted a Decision concerning the adaptation of the voluntary restraint agreement between the European Economic Community and New Zealand on trade in mutton, lamb and goatmeat.⁴

The agreement, which was concluded for a period of four years, concerns an annual quantity of 205 000 tonnes, with specific quantities for imports into France and Ireland. A maximum quantity of 6 000 tonnes of the refrigerated product was set for the first year, it being understood that this quantity would be increased by 1 500 tonnes per annum over the following three years. A price surveillance system was set up to ensure a balanced price ratio between imported and indigenous products. The amount of the autonomously set levies was suspended at zero for the duration of the arrangement, subject to compliance with the conditions laid down under the price monitoring system.

333. On 12 December 1989 the Council adopted a Decision concerning the adaptation of the voluntary restraint agreements between the European Economic Community and Argentina on the one hand and Australia on the other on trade in mutton, lamb and goatmeat.⁵

This Decision, which concerns imports to be carried out in the period from 1989 to 1992, likewise provides for a price monitoring system and the suspension of levies. The quantities in question were set at 19 000 tonnes for Argentina and 17 500 tonnes for Australia.

Following the adoption on 25 September 1989 of the new basic Regulation on the common organization of the market in sheepmeat and goatmeat, on 12 December the Council adopted a Regulation defining lambs fattened as heavy carcasses so that

¹ Regulation (EEC) No 3890/89 (OJ L 378, 27.12.1989).

² Regulation (EEC) No 3891/89 (OJ L 378, 27.12.1989).

³ Regulation (EEC) No 3892/89 (OJ L 378, 27.12.1989).

⁴ Decision 89/572/EEC (OJ L 318, 31.10.1989).

⁵ Decision 89/673/EEC (OJ L 396, 30.12.1989).

producers of light lambs can be differentiated from producers of heavy lambs within a mixed holding.¹ The minimum average weight per lamb at the end of fattening is 25 kg live weight.

TRANSITIONAL MEASURES FOLLOWING ACCESSION

334. On 18 December 1989 the Council adopted a Regulation intended to extend until 31 December 1990 for Spain the period during which the Commission may adopt such transitional measures as appear necessary to facilitate the switchover from the arrangements existing in Spain before accession to those resulting from the application of the common organization of the markets.²

EMERGENCY AID FOR POLAND

335. On 20 July 1989 the Council adopted a Regulation enabling the Commission to implement an emergency measure for Poland by availing itself of intervention stocks or making available products to be disposed of following buying-in operations. It was foreseen that this measure would involve approximately the following quantities: 500 000 tonnes of breadmaking wheat, 300 000 tonnes of fodder grain (maize, barley, rye), 10 000 tonnes of beef and veal, 5 000 tonnes of olive oil, 20 000 tonnes of citrus fruit, with the possibility of introducing other products.³

C — Coordination of the Member States' position in an international context

International Sugar Agreement

336. The International Sugar Agreement Council held two series of meetings in May and November 1989; in addition to these routine meetings, others were held to discuss in particular the question of the future headquarters of the International Sugar Organization and the International Wheat Council. The Community took an active part in all these meetings.

¹ Regulation (EEC) No 3901/89 (OJ L 375, 23.12.1989).

² Regulation (EEC) No 3849/89 (OJ L 374, 31.12.1989).

³ Regulation (EEC) No 2247/89 (OJ L 216, 27.7.1989).

FAO — World Food Council — International Wheat Council

337. The Member States and the Commission regularly coordinated their positions in preparation for discussions at all levels of these organizations.

Olive oil

338. In 1989 the International Olive Oil Council continued work on the management of the International Agreement on Olive Oil and Table Olives, in particular regarding campaigns advertising olive oil in the United States of America, Saudi Arabia and Turkey.

The Community took part in these meetings and to that end coordinating meetings were held.

International Vine and Wine Office (IWO)

339. The Council closely followed the proceedings of the IWO, in particular at its 69th General Assembly held in Luxembourg from 4 to 8 September 1989.

Codex alimentarius (FAO/WHO)

340. In the context of discussions on the Codex alimentarius (FAO/WHO programme), the Member States and the Commission coordinated their positions in order to reach a common stance on questions under discussion at the meetings of the Codex Commission and its various Committees.

D — Harmonization of legislation

Veterinary and zootechnical sectors

341. In 1989 the Council adopted 15 Decisions or Directives, seven of which are in the White Paper on the completion of the internal market.

As regards animal health, the measures taken were designed:

- (a) to strengthen eradication measures to help those Member States with a less favourable animal health situation than others to catch up, as a prerequisite for allowing border controls to be abolished in 1993.

Accordingly, the Council:

- (i) introduced, on 20 February 1989, a Community financial measure for the eradication of contagious bovine pleuropneumonia (CBPP) in Portugal;¹
 - (ii) introduced Community measures on 24 July 1989 to set up pilot projects for the control of rabies with a view to its eradication or prevention;²
 - (iii) on 23 October 1989, amended Decision 86/649/EEC introducing a Community financial measure for the eradication of African swine fever in Portugal;³
- (b) to take account of the general improvement in the animal health situation in the Community in respect of certain diseases the eradication of which has been accelerated thanks to measures undertaken by the Community; the measures taken facilitate free movement between regions having the same status and give farmers the benefit of less strict controls in some areas.

In this perspective, the Council:

- (i) amended, on 30 May 1989, Directive 64/432/EEC as regards a cessation of serological testing for brucellosis in certain types of swine;⁴
- (ii) on 19 June 1989⁵ and 30 October 1989,⁶ recognized certain parts of the territory of the Community as being either officially swine fever free or swine fever free.

342. In the area of protection of human and animal health, the Council continued to set up uniform rules governing trade in certain animal products:

on 21 March 1989, with Directive 89/227/EEC,⁷ the Council amended Directives 72/462/EEC and 77/99/EEC to take account of the introduction of public health and animal health rules which are to govern imports of meat products from third countries;

on 30 May 1989, Directive 89/361/EEC⁸ defined general principles to prevent trade in pure-bred breeding sheep and goats from being restricted or impeded on zootechnical grounds;

on 20 June 1989, Directive 89/437/EEC⁹ defined health and hygiene rules and principles governing the production and the placing on the market of egg products;

¹ Decision 89/145/EEC (OJ L 53, 25.2.1989).

² Decision 89/455/EEC (OJ L 223, 2.8.1989).

³ Decision 89/577/EEC (OJ L 322, 7.11.1989).

⁴ Decision 89/360/EEC (OJ L 153, 6.6.1989).

⁵ Decision 89/383/EEC (OJ L 181, 28.6.1989).

⁶ Decision 89/578/EEC (OJ L 322, 7.11.1989).

⁷ OJ L 93, 6.4.1989.

⁸ OJ L 153, 6.6.1989.

⁹ OJ L 212, 22.7.1989.

on 25 September 1989, Directive 89/556/EEC¹ laid down animal health conditions governing intra-Community trade in and importation from third countries of embryos of domestic animals of the bovine species.

343. Lastly, with the completion of the internal market in view, the Council took a series of control measures, thereby

- (a) supplementing certain existing provisions in such a way as to achieve uniform application of the texts; accordingly, on 20 June 1989, Directive 89/384/EEC² established the detailed procedures for carrying out checks to ensure that the freezing point of untreated milk laid down in Annex A of Directive 85/397/EEC is complied with;
- (b) strengthening collaboration between Member States, notably by designating Community reference laboratories. To this end:
 - (i) on 6 March 1989, Decision 89/187/EEC³ determined the powers and conditions of operation of the Community reference laboratories for examining animals and fresh meat for the presence of residues;
 - (ii) on 25 September 1989, particularly in view of the possible cessation of vaccination proposed by the Commission, Decision 89/531/EEC⁴ designated the Pirbright Institute as reference laboratory for the identification of the foot-and-mouth disease virus and determined the functions of that laboratory;
 - (iii) on 21 November 1989, Directive 89/608/EEC⁵ laid down rules on mutual assistance between the veterinary authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of legislation on veterinary and zootechnical matters;
- (c) creating conditions for transferring border controls between Member States to places of origin and destination by 1993.

On 11 December 1989, with a view to the completion of the internal market, Directive 89/662/EEC⁶ laid down that animal products, trade in which was already governed by Community rules, should be inspected at destination with the possibility of a check during transport up to 31 December 1992.

The adoption of this Directive was facilitated by the progress made in previous years concerning checks at origin and in the strengthening of the Commission's powers of inspection.

¹ OJ L 302, 19.10.1989.

² OJ L 181, 28.6.1989.

³ OJ L 66, 10.3.1989.

⁴ OJ L 279, 28.9.1989.

⁵ OJ L 351, 2.12.1989.

⁶ OJ L 395, 30.12.1989.

Plant health sector

344. The Council's discussions in this sector led to the adoption of the following acts.

DIRECTIVE 89/186/EEC OF 6 MARCH 1989 AMENDING ANNEX II TO DIRECTIVE 76/895/EEC RELATING TO THE FIXING OF MAXIMUM LEVELS FOR PESTICIDE RESIDUES IN AND ON FRUIT AND VEGETABLES¹

The purpose of this Directive is to update the list of maximum levels in the light of developments in technical and scientific knowledge, by adding particulars concerning the pesticide maleic hydrazide which may well be present as a residue in fruit and vegetables.

DIRECTIVE 89/359/EEC OF 29 MAY 1989 AMENDING DIRECTIVE 77/93/EEC ON PROTECTIVE MEASURES AGAINST THE INTRODUCTION INTO THE MEMBER STATES OF ORGANISMS HARMFUL TO PLANTS OR PLANT PRODUCTS²

The purpose of this Directive is to extend the period for determining the necessary measures at Community level for the introduction of seeds into the Member States. Provision has been made that before 1 January 1992 measures will be adopted at Community level to ensure compliance with the requirement that seeds be officially examined.

DIRECTIVE 89/365/EEC OF 30 MAY 1989 AMENDING DIRECTIVE 79/117/EEC PROHIBITING THE PLACING ON THE MARKET AND USE OF PLANT PROTECTION PRODUCTS CONTAINING CERTAIN ACTIVE SUBSTANCES³

345. The purpose of this adaptation, to take into account developments in scientific and technical knowledge, is to ban the use, from 31 December 1989, of ethylene oxide except for dried herbs for medicinal use. In the latter case, provision has been made for the derogation in force to be extended until 31 December 1990, since at present there is no generally available alternative method.

¹ OJ L 66, 10.3.1989.

² OJ L 153, 6.6.1989.

³ OJ L 159, 10.6.1989.

DIRECTIVE 89/439/EEC OF 26 JUNE 1989 AMENDING DIRECTIVE 77/93/EEC ON PROTECTIVE MEASURES AGAINST THE INTRODUCTION INTO THE MEMBER STATES OF ORGANISMS HARMFUL TO PLANTS OR PLANT PRODUCTS¹

The amendments made by this Directive to the basic Directive on harmful organisms are fundamental. Leaving aside other questions of minor importance, they aim to reinforce Community plant health inspections so as to improve the operation of the Community's present plant health regime, with a view to achieving the single market by the end of 1992. These reinforced Community inspections will be made by experts employed by the Commission and also by experts employed by Member States, whose services are made available to the Commission.

Seeds and seedlings

346. The legislative acts adopted by the Council in this sector in 1989 are intended to complete and adapt Community legislation in force on the basis of experience gained during its application.

These acts are the following:

DECISION 89/185/EEC OF 6 MARCH 1989 CONCERNING THE RENEWED APPLICATION OF DECISION 78/262/EEC ON THE EQUIVALENCE OF FOREST REPRODUCTIVE MATERIAL PRODUCED IN AUSTRIA²

DIRECTIVE 89/366/EEC OF 30 MAY 1989 AMENDING DIRECTIVE 66/403/EEC ON THE MARKETING OF SEED POTATOES³

DECISION 89/368/EEC OF 29 MAY 1989 AMENDING THE SEVENTH DECISION, 85/355/EEC, ON THE EQUIVALENCE OF FIELD INSPECTIONS CARRIED OUT IN THIRD COUNTRIES ON SEED-PRODUCING CROPS, AND THE SEVENTH DECISION, 85/356/EEC, ON THE EQUIVALENCE OF SEED PRODUCED IN THIRD COUNTRIES⁴ (URUGUAY)

¹ OJ L 212, 26.6.1989.

² OJ L 66, 10.3.1989.

³ OJ L 159, 10.6.1989.

⁴ OJ L 163, 14.6.1989.

DECISION 89/532/EEC OF 25 SEPTEMBER 1989 AMENDING THE SEVENTH DECISION, 85/355/EEC, ON THE EQUIVALENCE OF FIELD INSPECTIONS CARRIED OUT IN THIRD COUNTRIES ON SEED-PRODUCING CROPS, AND THE SEVENTH DECISION, 85/356/EEC, ON THE EQUIVALENCE OF SEED PRODUCED IN THIRD COUNTRIES¹ (AUSTRALIA AND NORWAY)

Foodstuffs

347. Throughout 1989, the Council continued its work in the context of completion of the internal market on the basis of the proposals in the Commission's White Paper and seven Directives were accordingly adopted in cooperation with the European Parliament.

The Directives in question are the following:

DIRECTIVE 89/344/EEC OF 3 MAY 1989 AMENDING FOR THE NINTH TIME DIRECTIVE 73/241/EEC ON THE APPROXIMATION OF THE LAWS OF THE MEMBER STATES RELATING TO COCOA AND CHOCOLATE PRODUCTS INTENDED FOR HUMAN CONSUMPTION²

DIRECTIVE 89/393/EEC OF 14 JUNE 1989 AMENDING FOR THE FIFTH TIME DIRECTIVE 74/329/EEC ON THE APPROXIMATION OF THE LAWS OF THE MEMBER STATES RELATING TO EMULSIFIERS, STABILIZERS, THICKENERS AND GELLING AGENTS FOR USE IN FOODSTUFFS³

DIRECTIVE 89/394/EEC OF 14 JUNE 1989 AMENDING FOR THE THIRD TIME DIRECTIVE 75/726/EEC ON THE APPROXIMATION OF THE LAWS OF THE MEMBER STATES CONCERNING FRUIT JUICES AND CERTAIN SIMILAR PRODUCTS³

DIRECTIVE 89/395/EEC OF 14 JUNE 1989 AMENDING DIRECTIVE 79/112/EEC ON THE APPROXIMATION OF THE LAWS OF THE MEMBER STATES RELATING TO THE LABELLING, PRESENTATION AND ADVERTISING OF FOODSTUFFS FOR SALE TO THE ULTIMATE CONSUMER³

With the dual aim of completing the internal market and providing improved information for all consumers in the Community, this Directive eliminates current provi-

¹ OJ L 279, 28.9.1989.

² OJ L 142, 25.5.1989.

³ OJ L 186, 30.6.1989.

sion for national derogations. It also extends its scope to mass caterers and introduces a stricter dating system.

DIRECTIVE 89/396/EEC OF 14 JUNE 1989 ON INDICATIONS OR MARKS IDENTIFYING THE LOT TO WHICH A FOODSTUFF BELONGS¹

348. In this Directive, the Council established general and horizontal rules in order to establish a common lot identification system. Indication of the lot to which a foodstuff belongs meets the need for better information on the identity of products and is therefore a useful source of information when foodstuffs are the subject of dispute or constitute a health hazard for consumers.

DIRECTIVE 89/397/EEC OF 14 JUNE 1989 ON THE OFFICIAL CONTROL OF FOODSTUFFS¹

The subject of this Directive is verification of the compliance of foodstuffs with legislation on foodstuffs, particularly provisions on health, rules on composition and rules on quality designed to protect consumers' economic interests as well as provisions on consumer information and fair commercial transactions.

DIRECTIVE 89/398/EEC OF 3 MAY 1989 ON THE APPROXIMATION OF THE LAWS OF THE MEMBER STATES RELATING TO FOODSTUFFS INTENDED FOR PARTICULAR NUTRITIONAL USES¹

Directive 77/94/EEC relating to foodstuffs for particular nutritional uses had been amended on a number of occasions and needed to be redrafted. The Council took the opportunity offered by this redrafting to introduce a series of improvements to eliminate unequal conditions of competition and establish thereby a Community barrier-free market.

E — Agricultural structures policy

Horizontal measures

349. In the context of the reform of the common agricultural policy, and in particular of the adjustment of the market organizations, a series of measures was added to the Community's agricultural structures policy in 1989 to make it easier for farmers to adapt to new market circumstances.

¹ OJ L 186, 30.6.1989.

In accordance with the conclusions of the European Council which met in Brussels in February 1988, the Council adopted a Regulation establishing a system of transitional aids to agricultural income¹ which gives Member States the option of granting direct aids to provide support for the efforts of weak agricultural holdings, which would otherwise not be able to adapt successfully owing to their economic and structural situation, to adjust. Such aids also contribute towards safeguarding the balances necessary to the vitality of rural society, given the requirements relating to the protection of the landscape and of the environment.

The level of the Community contribution granted to persons practising farming as their main occupation has been varied according to the requirements and the financial resources available in the various regions of the Community.

350. Also in the framework of the reform of the CAP, several amendments have been made to Regulation (EEC) No 797/85 to improve the efficiency of agricultural structures.

One amendment facilitates the extensification scheme for surplus products, while allowing, in 1989 and 1990, experimental application of the scheme within the framework of pilot programmes.²

Secondly, a derogation has been made to the condition laid down for the granting of investment aid in the pig production sector to the effect that the equivalent of at least 35% of the feed consumed by the pigs can be produced on the holding. This derogation refers to the investments for improving the health situation of pig farms in certain Community areas with a swine fever eradication plan, or in certain areas of Greece, Spain and Portugal characterized by small holdings or by low-yield production land and by unsatisfactory rearing conditions from the animal health viewpoint.³

351. Following the Council Decisions on the reform of the structural Funds, it was necessary to adapt the measures financed by the EAGGF Guidance Section so that they could fully perform their role of expediting the adjustment of agricultural structures within the meaning of Objective 5a of Article 1 of Regulation (EEC) No 2052/88 (common measures of horizontal application).⁴ In this adaptation, emphasis was placed on the structural improvement of holdings which at present are weak and on the setting-up of young farmers under viable conditions. Accordingly, the purpose of the amendments is:

- to extend investment aid to persons who do not practise farming as their main occupation provided that a significant link is maintained with farming;

¹ Regulation (EEC) No 768/89 of 21 March 1989 (OJ L 84, 29.3.1989).

² Regulation (EEC) No 591/89 of 6 March 1989 (OJ L 65, 9.3.1989).

³ Regulation (EEC) No 1191/89 of 27 April 1989 (OJ L 123, 4.5.1989).

⁴ Regulation (EEC) No 3808/89 of 12 December 1989 (OJ L 371, 20.12.1989).

- no longer to make a distinction, so far as Community aid is concerned, between plans aimed at maintaining the level of income and those aimed at improving it substantially;
- to maintain the derogation concerning the holding of simplified accounts within the framework of investment plans for areas which at present benefit therefrom;
- to extend aid to investments aimed at finding new sources of income, such as tourism or craft activities or the farm-based manufacture and sale of farm products, and to investments aimed at improving conditions for the hygiene and welfare of animals;
- to restrict aid in the beef and veal sector, to supplement the present restrictions (on the production of milk, pigs, eggs and poultry). However, such restrictions would not apply to aid for the protection of the environment;
- to maintain the increase in the investment aid rates in the Member States concerned;
- to increase the maximum amount eligible for a Community contribution towards the aid for the setting-up of young farmers to ECU 10 000 in the case of both the installation premium and the capitalized value of the interest subsidy so that wider and more effective use can be made thereof;
- to extend the stock-farming aid provided for less-favoured areas to activities other than stock-farming where this constitutes a peripheral activity;
- to encourage the formation of mutual assistance groups which would use new technologies and practices aimed at safeguarding and improving the environment and preserving the countryside and to the formation of groups which would introduce alternative agricultural methods such as organic techniques, integrated crop-protection techniques and extensive farming techniques;
- to improve the scheme to assist farming in certain less-favoured areas by increasing the Community assistance for the less-prosperous regions and by making certain technical adjustments and to restrict the granting of the allowance to 1.4 livestock units (LU) per hectare and to restrict the amount of aid per holding to the equivalent of 120 units, be they livestock units or area units;
- to restrict the option of early retirement with restructuring to regions under Objectives 1 and 5b;
- finally, to differentiate the rate of Community part-financing on the basis of the criteria and within the limits laid down in the Regulation on the tasks of the structural Funds (Regulation 2052/88, Article 13).

352. In the framework of a medium-and long-term forestry strategy for the Community, in May 1989 the Council adopted a forestry action programme for the years 1989 to 1992. This new strategy is geared towards eight main objectives:

- (i) to participate fully in land use planning and encourage the development of rural life;

- (ii) to ensure the security of supply of renewable raw materials;
- (iii) to contribute to environmental improvement;
- (iv) to give the forestry sector its own dynamism;
- (v) to protect the Community's forests;
- (vi) to extend the role the forest has as a natural setting for relaxation, recreation and culture;
- (vii) to participate in development in the most disadvantaged areas of the world;
- (viii) to give forests and the forestry sector their full place in the formulation and implementation of Community policies.

353. The 1989/92 programme is based on a legal instrument comprising seven Regulations and one Decision¹ comprising the following measures:

- (i) extension of aid for afforestation to all persons carrying out the afforestation of agricultural land, and raising the ceilings on such aid;
- (ii) establishing an annual premium per hectare afforested;
- (iii) determining measures eligible for Community financing in rural regions and areas whose development is lagging behind (Objectives 1 and 5b) and criteria and conditions for implementing such measures;
- (iv) extending common measures to improve processing and marketing conditions to products made of cork;
- (v) introducing provisional measures to improve the conditions under which forestry products are processed and marketed;
- (vi) strengthening joint action against atmospheric pollution and fire and adjusting the Community's financial contribution;
- (vii) establishing a European Forestry Information and Communication System (Efics);
- (viii) setting up a Standing Forestry Committee composed of representatives from the Member States.

Regional measures

354. During 1989, the Council decided on the following measures:

¹ Regulations (EEC) Nos 1609 to 1615/89 and Decision 89/367/EEC of 29 May 1989 (OJ L 165, 15.6. 1989).

**REGULATION (EEC) NO 503/89 OF 27 FEBRUARY¹ INSTITUTING
AN EXCEPTIONAL MEASURE FOR LESS-FAVoured AREAS
IN PORTUGAL**

The bad weather conditions affecting farmers in the less-favoured areas in 1988 aggravated the natural handicap of those areas. On an exceptional basis, an emergency measure was adopted to raise the income of the farmers affected in the period immediately following. The Community's contribution was limited to ECU 20 million.

**REGULATION (EEC) NO 1008/89 OF 17 APRIL² AMENDING
REGULATION (EEC) NO 3828/85 ON A SPECIFIC PROGRAMME
FOR THE DEVELOPMENT OF PORTUGUESE AGRICULTURE**

In order to solve the continuing animal health problem in pig farming, the Council extended to this sector the granting of the launching aid for livestock health protection groups normally only available to cattle, sheep and goat farming.

**REGULATION (EEC) NO 1130/89 OF 24 APRIL³ AMENDING
REGULATION (EEC) NO 2511/69 LAYING DOWN SPECIAL MEASURES
FOR IMPROVING THE PRODUCTION AND MARKETING OF
COMMUNITY CITRUS FRUIT FOLLOWING THE FROSTS THAT
OCCURRED IN THE WINTER OF 1986/87**

The frosts during the winter of 1986/87 undermined the progress of the plan being implemented in Sicily, Apulia and Calabria. In order to remedy the situation, provision was made for an emergency measure, involving a two-year extension of the deadline and adjustments to the plan to take account of the damage.

**REGULATION (EEC) NO 2276 OF 24 JULY⁴ AMENDING REGULATION
(EEC) NO 1316/86 ADOPTING THE APPLICATION IN PORTUGAL OF
REGULATION (EEC) NO 797/85 ON IMPROVING THE EFFICIENCY OF
AGRICULTURAL STRUCTURES**

355. The adjustments to and derogations from Regulation (EEC) No 797/85 for which provision had been made for a period of three years to enable it to be implemented in the specific conditions of Portuguese agriculture were due to expire on 1 September 1989. In consideration of the fact that the relative position of

¹ OJ L 58, 1.3.1989.

² OJ L 109, 20.4.1989.

³ OJ L 119, 29.4.1989.

⁴ OJ L 218, 28.7.1989.

Portuguese agricultural structures had not changed sufficiently, the Council decided on a three-year extension designed to improve that position.

DIRECTIVE 89/586/EEC OF 23 OCTOBER¹ AMENDING DIRECTIVE 86/465/EEC CONCERNING THE COMMUNITY LIST OF LESS-FAVOURED FARMING AREAS WITHIN THE MEANING OF DIRECTIVE 75/268/EEC (FEDERAL REPUBLIC OF GERMANY)

DIRECTIVE 89/587/EEC OF 23 OCTOBER¹ CONCERNING THE COMMUNITY LIST OF LESS-FAVOURED FARMING AREAS WITHIN THE MEANING OF DIRECTIVE 75/268/EEC (FRANCE)

DIRECTIVE 89/588/EEC OF 23 OCTOBER¹ AMENDING DIRECTIVE 81/645/EEC CONCERNING THE COMMUNITY LIST OF LESS-FAVOURED FARMING AREAS WITHIN THE MEANING OF DIRECTIVE 75/268/EEC (GREECE)

The purpose of these three Directives was to extend the Community lists of less-favoured farming areas covering the Federal Republic of Germany, France and Greece, following requests submitted by the respective governments.

Agricultural statistics

356. Regarding structural agricultural statistics, the Council took three important decisions during 1989.

Firstly, the Council introduced an amendment to Regulation (EEC) No 571/88 concerning Community surveys on the structure of agricultural holdings between 1988 and 1997,² with a view to recording the set-aside of arable land on the basis of a suitable classification, which would be harmonized and compulsory in all Member States, in order to obtain statistical data which would be comparable between Member States and over time.

Secondly, the Council decided on an extension until 1991 of the plan for the development of agricultural statistics in Ireland,³ with a view to enabling the register of holdings to be compiled at the same time as the 1991 population census is carried out, and thirdly, a two-year extension of the duration of the plan for the restructuring of the system for agricultural surveys in Italy,⁴ in order to enable the new system to be set up properly.

¹ OJ L 330, 15.11.1989.

² Regulation (EEC) No 807/89 of 20 March 1989 (OJ L 86, 31.3.1989).

³ Decision 89/623/EEC of 20 November 1989 (OJ L 359, 8.12.1989).

⁴ Decision 89/624/EEC of 20 November 1989 (OJ L 359, 8.12.1989).

Chapter VII — Community budget — Staff Regulations

A — Annual adjustment to the financial perspective

357. On 17 April and 12 April 1989 respectively, the Council and the Parliament approved the adjustments to the financial perspective proposed by the Commission for 1990 in accordance with point 10 of the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure.¹

The Council also noted on 17 April 1989 the technical adjustments in line with movements in GNP and prices made by the Commission in accordance with point 9 of the Interinstitutional Agreement.

On 17 April 1989 the Council in addition laid down the reference framework for 'other compulsory expenditure', as resulted from the decision on the adjustment to the financial perspective for the 1990 financial year, subject to the classification of the expenditure on which the Council is called upon to take a decision in the framework of the budget procedure.

There follows a table showing the financial perspective resulting from these decisions.

B — Budgetary procedures

Supplementary and amending budget No 1 for the 1989 financial year

358. On 22 February 1989, the Commission sent the Council preliminary draft supplementary and amending budget No 1/89, containing requests for staff and allocations for the setting-up of the Court of First Instance, as decided by the Council on 24 October 1988.

¹ OJ L 185, 15.7.1988.

Financial perspective
Commitment appropriations

(million ECU)

	1988	1989	1990	1991	1992
	Current prices		Deflated 1990 prices		
1. EAGGF Guarantee Section	27 500	28 613	30 700	31 350	32 000
2. Structural operations	7 790	9 522	11 555	13 160	14 630
3. Policies with multiannual allocations (IMPs, research)	1 210	1 708	2 071	2 340	2 610
4. Other policies	2 103	2 468	2 729	2 940	3 050
of which non-compulsory ¹	1 646	1 864	2 023	2 080	2 140
5. Repayments and administration (including financing of stock disposal)	5 741	5 153	4 930	4 390	3 900
6. Monetary reserve ²	1 240	1 449	1 523	1 523	1 523
	1 000	1 000	1 000	1 000	1 000
Total	45 344	48 464	52 985	55 180	57 190
of which compulsory ¹	33 739	33 764	35 454	35 630	36 080
non-compulsory	11 605	14 700	17 531	19 550	21 110
Payment appropriations required	43 820	46 885	50 791	52 620	54 250
of which compulsory	33 681	33 745	35 372	35 550	35 770
non-compulsory ¹	10 139	13 140	15 419	17 070	18 480
Payment appropriations as % of GNP	1.11	1.10	1.12	1.13	1.13
Margin for unforeseen expenditure	0.03	0.03	0.03	0.03	0.03
Own resources required as % of GNP	1.14	1.13	1.15	1.16	1.16

¹ Commission classification.

² At current prices.

The total amount entered in the 1989 budget for Section IV — Court of Justice — was ECU 57 040 306. Supplementary and amending budget No 1 for the financial year 1989 contained estimated expenditure of ECU 3 457 460.

At its meeting on 13 March 1989, the Council adopted draft supplementary and amending budget No 1/89, making a total reduction in expenditure of ECU 771 850 on the estimates in the preliminary draft. Expenditure was therefore ECU 2 685 610.

On 13 April 1989, the European Parliament adopted the supplementary and amending budget for the 1989 financial year as submitted by the Council. The President of the Parliament, Lord Plumb, finally adopted it on 14 April 1989.

1990 budget

PRELIMINARY DRAFT BUDGET

359. On 17 July 1989, the Commission officially sent the Council the preliminary draft general budget of the European Communities for the 1990 financial year.

In drawing up this preliminary draft, the Commission applied for the first time, from the outset, the Interinstitutional Agreement and the financial provisions of 29 June 1988 constituting the implementation of the Decisions of the European Council of February 1988 on the financial reform of the Community.

Consequently, the preliminary draft reflected the political will of the Commission to hold to the letter and the spirit of these Decisions, which are intended to improve the Community's budget procedure and to promote the balanced growth of the Community's income and expenditure. This means in particular the control of agricultural expenditure below a budget ceiling, the doubling of the structural Funds by 1993 and the greater promotion of research in the Community.

COUNCIL — FIRST READING

360. The Council discussed the preliminary draft budget on 28 July 1989, following its meeting with the delegation of the European Parliament.

Following these discussions, the Council established the draft general budget of the European Communities for 1990.

In this draft budget, the Council provided for an overall expenditure of ECU 48 194 277 385 in commitment appropriations and ECU 46 138 533 385 in payment appropriations.

The principal components of the draft budget for the 1990 financial year are as follows:

(million ECU)

	<i>c/a</i>	<i>p/a</i>
EAGGF Guarantee Section	26 522.0	26 522.0
EAGGF Guidance Section	1 700.0	1 651.5
Set-aside/income aid	225.0	225.0
Depreciation of agricultural stocks	1 470.0	1 470.0
Monetary reserve	1 000.0	1 000.0
Regional Fund (ERDF)	5 408.0	4 704.5
Social Fund (ESF)	4 075.0	3 321.9
Support programme	9.9	7.0

(million ECU)

	c/a	p/a
Pedip (programmes for industrial development in Portugal)	108.8	101.0
IMPs (integrated Mediterranean programmes)	344.0	303.0
Research (framework programme)	1 533.2	1 298.7
Research (outside framework programme)	80.3	75.1
Other policies	2 500.3	2 241.0
of which: food aid	497.6	499.8
aid to Latin America and Asia	375.6	245.2
Administration: Commission	1 491.7	1 491.7
other institutions	815.9	815.9
Reimbursements to Member States	910.2	910.2
Grand total	48 194.3	46 138.5

Allocations are divided as follows between compulsory and non-compulsory expenditure:

	c/a	p/a
CE	31 942 715 654	31 915 915 654
NCE	16 251 561 731	14 222 617 731

LETTER OF AMENDMENT NO 1/90 TO THE PRELIMINARY DRAFT BUDGET

361. On 27 September 1989 the Commission submitted letter of amendment No 1 to the preliminary draft budget of the European Communities for the 1990 financial year providing for a sum of ECU 200 million to fund aid for the economic restructuring of Poland and Hungary, offset by the entry of a negative reserve of the same amount.

On 9 October 1989, the Council drew up letter of amendment No 1 to the draft budget, following the Commission's letter of amendment.

PARLIAMENT — FIRST READING

362. At its sitting of 26 October 1989, the European Parliament adopted amendments and proposed modifications to the amended draft budget; it sent the draft thus modified and amended to the Council by letter on 6 November 1989.

In its modifications and amendments to the draft budget, the Parliament increased the aid for the economic restructuring of Poland and Hungary by ECU 100 million; it also deleted the negative reserve which appeared in the draft budget.

The effects of the Parliament's votes are as follows:

	Draft budget		EP votes	
	c/a	p/a	c/a	p/a
Total	48 194 277 385	46 138 533 385	+ 1 202 890 784	+ 993 019 784
CE	31 942 715 654	31 915 915 654	+ 314 490 668	+ 311 990 668
NCE	16 251 561 731	14 222 617 731	+ 888 400 116	+ 681 029 116

LETTER OF AMENDMENT NO 2/90 TO THE PRELIMINARY DRAFT BUDGET

363. On 27 October 1989 the Commission submitted letter of amendment No 2 to the preliminary draft budget of the European Communities for the 1990 financial year, with the aim of entering the savings made in the EAGGF Guarantee Section in 1989 following movements in the dollar/ecu exchange rate, which had been transferred to the monetary reserve (ECU 819 million), in the statement of revenue as surplus available from the previous financial year.

COUNCIL — SECOND READING

364. Before taking a decision on this letter of amendment and on the amended and modified draft budget at its meeting on 14 November 1989, the Council held the required meeting with a delegation from the Parliament.

The Council then took a decision on second reading on each of the European Parliament's amendments and proposed modifications.

With regard to aid for Poland and Hungary, the Council, wishing to give the Community the means to demonstrate Europe's solidarity with the Polish and Hungarian peoples, decided to raise the aid to ECU 300 million, the amount decided on by the European Parliament.

The Council also decided to continue to study with the closest attention the needs arising from the situation in Eastern Europe.

The Council then drew up letter of amendment No 2 to the draft budget for 1990, entering a sum of ECU 1 819 million under the heading of foreseeable surplus from the 1989 financial year, exceeding the letter submitted by the Commission by a sum of ECU 1 000 million entered under the heading of savings expected in the area of the EAGGF Guarantee Section.

The draft budget as adopted on second reading provides for ECU 48 374.7 million in commitment appropriations and ECU 46 200 million in payment appropriations.

The Council decisions on second reading give rise to the following appropriations:

	<i>(ECU)</i>	
	<i>ca</i>	<i>pa</i>
Grand total	48 374 748 340	46 199 018 340
split as follows:		
CE	31 904 874 168	31 878 074 168
NCE	16 469 874 172	14 321 944 172

PARLIAMENT — SECOND READING

365. Before the Parliament began its second reading of the draft budget, negotiations were conducted between the President of the Council and representatives of the European Parliament with a view to finding a basis for agreement between the institutions which would enable the budgetary procedure for 1990 to be brought to a satisfactory conclusion.

The agreement drawn up on 11 December 1989 provided among other things that the Budgetary Authority would, on the basis of a proposal made by the Commission under the terms of Article 12 of the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, decide on the review of the financial perspective with a view to enabling the immediate entry in the budget for 1990 (without compensation by a negative reserve) of ECU 300 million for the purpose of aid to Poland and Hungary. This Decision was adopted by the Council on 12 December and by the Parliament on 13 December 1989.

On 13 December 1989, the Parliament proceeded to a vote on the 1990 budget and on the same day the President of the Parliament, Mr Barón Crespo, recorded the completion of the budgetary procedure and the final adoption of the 1990 budget; he also accepted the provisions of the Council's letter of amendment No 2.

366. The main components of the 1990 general budget are summarized in the following table.

(million ECU)

	1990 budget commitments	1990 budget payments
1. EAGGF Guarantee Section (including set-aside)	26 522 000 000	26 522 000 000
2. Structural action		
A. EAGGF Guidance Section (including fisheries marketing)	1 700 000 000	1 651 500 000
B. Set-aside/income aid (Chap. 39)	225 000 000	225 000 000
C. ERDF	5 408 000 000	4 704 500 000
D. Pedip (553)	108 800 000	101 000 000
E. Support programme (554)	15 700 000	12 700 000
F. ESF	4 075 000 000	3 321 900 000
<i>Total structural action</i>	11 532 500 000	10 016 600 000
3. Multiannual policies		
A. IMPs (550-552)	344 000 000	303 000 000
B. Research (Chap. 73 — framework programme)	1 638 013 000	1 330 526 000
C. Research (Chap. 73 — outside framework programme)	88 987 000	81 549 000
<i>Total multiannual policies</i>	2 071 000 000	1 715 075 000
4. Other policies		
A. Agricultural (Chap. 38)	133 875 000	130 475 000
B. Misc. regional (Chap. 54)	30 500 000	29 500 000
C. Misc. social (Chap. 62-65 and 69)	262 155 000	257 245 000
D. Transport (Chap. 58)	71 000 000	59 000 000
E. Environment (Chap. 66)	52 160 000	41 560 000
F. Consumers (Chap. 68)	8 600 000	8 600 000
G. Info/Culture (Chap. 67)	45 580 000	43 580 000
H. Fisheries (Title 4, except 4740)	420 600 000	372 600 000
I. Energy (Chap. 70-71)	63 220 000	136 520 000
J. Innovation/Internal market (Chap. 75-79)	253 883 000	214 883 000
K. Development (Title 9)	1 702 270 000	1 453 590 000
L. Reserves (Chap. 103)	—38 400 000	
<i>Total other policies</i>	3 005 443 000	2 747 553 000
5. Reimbursement/Administration		
A. Reimbursement/stocks (Title 8)	2 353 503 463	2 353 503 463
B. Part A — Commission	1 514 765 860	1 514 765 860
C. Other institutions	847 321 182	847 321 182
<i>Total Reimbursement/Administration</i>	4 715 590 505	4 715 590 505
6. Monetary reserve	1 000 000 000	1 000 000 000
Grand total	48 846 533 505	46 716 818 505

C — Other budgetary matters

Discharge given to the Commission on the implementation of the 1987 budget

367. At its meeting on 13 March 1989, the Council recommended to the European Parliament that it gives a discharge to the Commission on the implementation of the budget of the European Communities for the 1987 financial year.

On 13 April 1989, the European Parliament gave a discharge to the Commission for the implementation of the said budget.

Carry-over and reconstitution of credits

368. By letters dated respectively 23 February and 6 March 1989, the Commission informed the budget authority of the decisions it had taken in accordance with Article 6(2) and (6) of the Financial Regulation on 15 February 1989 regarding:

- (i) the carry-over of differentiated appropriations from 1988 to 1989;
- (ii) the making available in the budget for the 1989 financial year of certain commitment appropriations.

It emerges from these documents that:

ECU 15.929 million in commitment appropriations (out of ECU 66 million not utilized) and ECU 48.137 million in payment appropriations (out of ECU 557 million not utilized) were carried over;

ECU 400.034 million in commitment appropriations (out of ECU 1 029.4 million cancelled) including ECU 36.867 million for the EAGGF Guidance Section, ECU 215.422 million for the ERDF and ECU 147.745 million for the ESF, were reconstituted.

(million ECU)

	Appropriations cancelled in 1988	Reconstitutions	Difference
ERDF	380.4	215.422	164.978
ESF	602.8	147.745	455.055
EAGGF Guidance	46.2	36.867	9.333
Total	1 029.4	400.034	629.366

Financial Regulation

369. On 18 July 1989, the Council adopted the Joint Guideline with a view to the adoption of a Regulation amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities.

The text which emerged from the Council's discussions includes some new provisions, mainly aimed at rationalizing the presentation, management and conditions of implementation of the general budget, stressing in particular the principles of sound financial management, including the concept of cost effectiveness in expenditure policy.

Other amendments concern the fields of research and technological development (R&TD) and foreign aid.

The Council then began preparations for the conciliation procedure with the European Parliament; it was not possible to complete this procedure before the end of 1989.

Transfers of appropriations from chapter to chapter within the institutions' budget provisions for 1989

370. The Council approved various proposals for transfers of appropriations from chapter to chapter relating to compulsory expenditure which were submitted to it by the Commission (Article 21(2), second subparagraph, of the Financial Regulation).

The Council was also consulted by the European Parliament on a number of other requests for transfers relating to non-compulsory expenditure (Article 21(2), third subparagraph, of the Financial Regulation).

In this context, a triologue on food aid was held in Strasbourg on 12 April 1989. There, the Council, the Parliament and the Commission recognized, among other things, that the precise distribution of appropriations between Chapter 92 (Food aid) and Article 292 (Restitution for food aid) would not emerge until a later stage of the budgetary year, when more information would be available on the implementation of the budget, taking account of market fluctuations.

The Council also made it known that it was willing to examine case by case proposals for transfers of appropriations where the need for them was properly established.

D — Staff Regulations

371. Apart from some decisions of a routine or internal nature, the Council acted in the following areas.

Remuneration of officials and other servants

- (a) With Regulation (EEC, Euratom, ECSC) No 2187/89 of 18 July 1989,¹ the Council both corrected the scale of remuneration and pensions with effect from 1 July 1988, and effected an intermediate adjustment of remuneration and pensions with effect from 1 January 1989.
- (b) With Regulation (EEC, Euratom, ECSC) No 3728/89 of 11 December 1989,² the Council, in the framework of the annual review of remuneration, adjusted the remuneration of officials and other servants of the European Communities with effect from 1 July 1989, taking account of the growth in the purchasing power of remuneration in the central administrations of the Member States and the cost of living indexes in the various places of employment.

Provisions applicable to officials of the European Communities posted in a third country

With Regulations (EEC, Euratom, ECSC) No 702/89 of 15 March 1989³ and No 2899/89 of 27 September 1989,⁴ adopted under the written procedure in accordance with the first paragraph of Article 13 of Annex X to the Staff Regulations, the Council carried out an adjustment of the weightings applicable in third countries with effect from 1 January 1989 and 1 July 1989 respectively.

Measures to terminate service

372.

- (a) Pursuant to Article 2(1) of Regulation (ECSC, EEC, Euratom) No 3518/85 of 12 December 1985⁵ introducing special measures to terminate the service of officials of the European Communities as a result of the accession of Spain and Portugal, the Council, at its meeting on 23 January 1989, adopted Decision 89/55/EEC fixing the number of officials whose service may be terminated in 1989.⁶
- (b) At its meeting on 21 June 1989, the Council adopted Regulation (EEC) No 1857/89 introducing special and temporary measures to terminate the service of officials of the European Communities.⁷ These measures are aimed at officials in scientific and technical categories who are included in the establishment plan of the Joint Research Centre (JRC).

¹ OJ L 209, 21.7.1989.

² OJ L 364, 14.12.1989.

³ OJ L 78, 21.3.1989.

⁴ OJ L 279, 28.9.1989.

⁵ OJ L 335, 13.12.1985.

⁶ OJ L 23, 27.1.1989.

⁷ OJ L 181, 28.6.1989.

- (c) With Regulation (EEC) No 2168 of 18 July 1989,¹ the Council amended Regulation (Euratom, ECSC, EEC) No 2274/87² introducing special measures to terminate the service of temporary staff of the European Communities, by increasing the number of temporary staff of both the European Parliament and the Commission to whom the Regulation applies.

¹ OJ L 208, 20.7.1989.

² OJ L 209, 31.7.1987.

Table
**Number of days spent on Council meetings and
meetings of preparatory bodies**

Year	Ministers	Ambassadors and ministerial delegations	Committees and working parties
	EEC/EAEC/ECSC	EEC/EAEC/ECSC	EEC/EAEC/ECSC
1958	21	39	302
1959	21	71	325
1960	44	97	505
1961	46	108	655
1962	80	128	783
1963	63½	146½	744½
1964	102½	229½	1 002½
1965	35	105½	760½
1966	70½	112½	952½
1967	75½	134	1 233
1968	61	132	1 253
1969	69	129	1 412½
1970	81	154	1 403
1971	75½	127½	1 439
1972	73	159	2 135
1973	79½	148	1 820
1974	66	114½	1 999½
1975	67½	118	2 079½
1976	65½	108½	2 130
1977	71	122	2 108½
1978	76½	104½	2 090
1979	59	107½	2 000
1980	83	106½	2 078½
1981	83	110	1 976
1982	86	107	1 885
1983	121½	105½	1 912½
1984	133	86	1 868½
1985	118	117	1 892
1986	107	118½	1 842½
1987	123	120½	1 828
1988	117½	104	2 000½
1989	119½	100	1 932

List of abbreviations

— A —

ACP
African, Caribbean and Pacific States

ASEAN
Association of South-East Asian Nations

— B —

Bridge
Biotechnology research for innovation, development and growth in Europe

Brite
Basic research in industrial technologies for Europe

— C —

CA
Commitment appropriations

CE
Compulsory expenditure

Cenelec
European Committee for Electrotechnical Standardization

CFC
Chlorofluorocarbons

CMEA
Council for Mutual Economic Assistance

Comett
Community programme in education and training for technology

COST
European cooperation in the field of scientific and technical research

Crest
Scientific and Technical Research Committee

— D —

Doses
Development of statistical expert systems

— E —

EAEC
European Atomic Energy Community

EAGGF
European Agricultural Guidance and Guarantee Fund

Eclair
European collaborative linkage of agriculture and industry through research

ECSC
European Coal and Steel Community

Ecu
European Currency Unit

EDF
European Development Fund

EEC
European Economic Community

EFTA
European Free Trade Association

EIB
European Investment Bank

EMS
European Monetary System

Epoch
European programme on climatology and natural hazards

Erasmus
European Community action scheme for the mobility of university students

ERDF
European Regional Development Fund

ESA
European system of integrated economic accounts

ESC
Economic and Social Committee

ESF
European Social Fund

Euratom
European Atomic Energy Community

Eurotra
European machine translation system of advanced design

— F —

FAO
Food and Agriculture Organization (of the United Nations)

Flair
Food-linked agro-industrial research

FOD
French Overseas Departments

— G —

GATT
General Agreement on Tariffs and Trade

GDP
Gross domestic product

GNP
Gross national product

GSP
Generalized system of preferences

— H —

Handynet
European Community computerized information system on disability questions

— I —

IAEA
International Atomic Energy Agency

IEA
International Energy Agency

IMF
International Monetary Fund

IMP(s)
Integrated Mediterranean programme(s)

ITTO
International Tropical Timber Organization

IWO
International Wine and Vine Office

— J —

JOULE
Joint opportunities for unconventional or long-term energy supply

— M —

MAST
Specific research and technological development programme in the field of marine science and technology

MCA
Monetary compensatory amount

Monitor
Community programme on strategic analysis, forecasting and assessment in research and technology

— N —

NAFO
North-West Atlantic Fisheries Organization

NCE
Non-compulsory expenditure

NGO(s)
Non-governmental organization(s)

— O —

OCTs
Overseas countries and territories

OCTG
Oil country tubular goods

OECD
Organization for Economic Cooperation and Development

— P —

PA
Payment appropriations

Pedip
Specific programme for industrial development in Portugal

Phare
Action plan for coordinated aid to Poland and Hungary

Poseidom
Programme of options specific to the remote and insular nature of the French overseas departments

— R —

Renaval
Community programme to assist the conversion of shipbuilding areas

— S —

Science
Plan to stimulate the international cooperation and interchange needed by European research scientists

SMU
Small and medium-sized undertakings

SPES
Stimulation plan for economic science

Stabex
Stabilization system of export-earnings

STEP
Science and technology for environmental protection

— T —

t
tonne

TAC
Total allowable catch

Teleman
Research and training programme for the European Atomic Energy Community in the field of remote handling in nuclear hazardous and disordered environments

— U —

UN
United Nations

Unctad
United Nations Conference on Trade and Development

Unice
Union of Industries of the European Community

UNRWA
United Nations Relief and Works Agency for Palestinian Refugees in the Near East

— V —

Value
Programme for the dissemination and utilization of scientific and technological research results

VAT
Value-added tax

— W —

WHO
World Health Organization

WIPO
World Intellectual Property Organization

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