

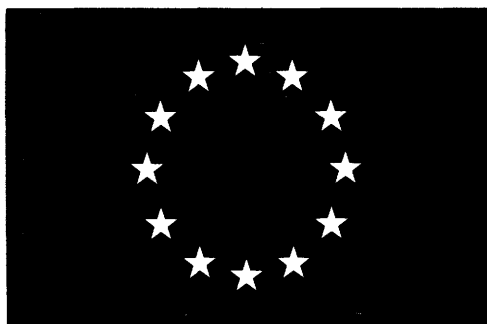
General Secretariat of the Council  
of the European Union

# **FORTY-SECOND REVIEW OF THE COUNCIL'S WORK**

**The Secretary-General's Report**

1 January — 31 December 1994

Part I — Summary



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## Introduction

1994 was a year of transition in which, against the background of the Union's enlargement to three new Member States, the Council under its successive Greek and German Presidencies worked hard in every area to implement the change-over from Community to Union, consolidate the acquis and prepare for the next stages of European integration.

The Council's first task in implementing the new Treaty, which entered into force on 1 November 1993, was to apply as fully as possible the new provisions strengthening the Union's democratic legitimacy, whether in the form of the co-decision procedure, which involves the European Parliament directly in the legislative process, the principle of subsidiarity, which ensures that, in achieving the Community's objectives, decisions are taken at the most appropriate level, or the various political and cultural dimensions of citizenship. In all these areas the Council, often liaising closely with the European Parliament, strove to give practical and operational content to the ambitions set out in the Treaty and to put into practice the guidelines on transparency formulated in the conclusions of the Birmingham, Edinburgh and Copenhagen European Councils.

The same determination was manifest in the area of foreign policy, which saw the gradual introduction of the Common Foreign and Security Policy (CSFP), with methodological discussion on CSFP structures and instruments continuing side by side with the development of political action on the ground through the adoption of a number of joint actions and common positions on issues vital for stability and peace. Similar efforts were deployed to achieve the objectives of the Union Treaty in the field of Justice and Home Affairs but with, as yet, mixed results.

As well as realizing the institutional and political goals of Maastricht, the Council, in collaboration with the other Institutions, was engaged in developing the Community's traditional policies, giving priority to implementing the programme on growth, competitiveness and employment adopted in Brussels in December 1993 on the basis of the Commission White Paper. The three priority areas of the programme's strategy, i.e. the reform of labour systems to combat unemployment effectively, a major ongoing concern, the effective launch of the trans-European networks, and mastering the information society, were extended and amplified by the Corfu and Essen European Councils. At the same time the Council looked to ensure the smooth functioning of the internal market, extending its principles to new sectors such as energy and telecommunications and generally furthering the drive to adapt sectoral policies to the Union's new economic and social environment.

**While busy dealing with the implications of the Community's recent transformation and striving to meet current internal and external challenges, the Council has been preparing for the next stages of European integration:**

- **the imminent accession (on 1 January 1995) of Austria, Finland and Sweden, which, with observer status in Council bodies, are already conversant with the Union's policies and procedures;**
- **at a later date, enlargement to the countries of Central and Eastern Europe, Malta and Cyprus;**
- **the new and decisive institutional stage: the 1996 Intergovernmental Conference on the revision of the Treaties, for which the terms of reference and certain preparatory arrangements (Reflection Group and reports by the Institutions) were detailed by the Corfu European Council and confirmed by the European Council in Essen.**

## 1. Institutional questions

In the institutional area, 1994 was a year of transition which included both the implementation of the innovations arising from the Treaty on European Union (which came into force on 1 November 1993) and the start of preparations for its revision as part of the **Intergovernmental Conference (IGC) in 1996**.

On 24 and 25 June the European Council in Corfu initiated the process for the preparation of the 1996 IGC by requesting each institution to prepare a report on the operation of the Treaty on the Union as a contribution to the proceedings of the Think Tank it had set up. The Think Tank will meet for the first time in June 1995 and its task will be to prepare for the Intergovernmental Conference.

The fourth legislature of the **European Parliament** elected by direct universal suffrage opened on 19 July with its inaugural session in Strasbourg following the elections which were held between 9 and 12 June. The Decision of 1 February of the Representatives of the Governments of the Member States increasing and amending the distribution of seats in the Parliament to take account of German unification applied to those elections, bringing to 567 (instead of 518) the number of members in the new Parliament. Following enlargement, that number was raised to 626 (Austria: 21, Finland: 16, Sweden: 22).

For the first time also, thus giving effect to one of the new provisions of the Treaty which established citizenship of the Union, Community nationals residing in a Member State other than their State of origin could stand for election and vote in the European elections in their State of residence.

Arrangements for the exercise of the same **right to vote** and to stand as a candidate but in **municipal elections** were also adopted by the Council on 19 December for transposition before 1 January 1996.

A feature of interinstitutional relations was the negotiations on the setting up of temporary Committees of Inquiry by the European Parliament which had to be determined by common accord of the European Parliament, the Council and the Commission.

The co-decision procedure led the Parliament to return to the problem of the procedure for the exercise of implementing powers of Community acts (what is known as **committee procedure**) and the delegation of such power.

These negotiations were concluded at an Interinstitutional Conference on 20 December when the European Parliament, the Council and the Commission reached an agreement on the draft Decision on the procedure for the exercise of the right of inquiry of the European Parliament and a *modus vivendi* on the committee procedure. This allows for a certain involvement of the European Parliament in the matter, pending a review of the procedure at the Intergovernmental Conference in 1996.



On the subject of law-making in general, the European Parliament was consulted by the Council or associated with it in connection with 153 legislative proposals affecting all areas of Union activity.

The coming into force of the Maastricht Treaty meant the implementation of the Article 189b procedure of the EC Treaty (known as the co-decision procedure), which applies to the following areas: free movement of workers, the right of establishment, the approximation of laws in the setting up of the internal market, education, culture, health, consumer protection, trans-European networks and research.

The novelty of this procedure lies in the fact that it introduces, in the form of a **Conciliation Committee**, a structured dialogue between the two Institutions with the involvement of the Commission where the Council is unable to accept all the amendments proposed by the Parliament at second reading.

At the Interinstitutional Conference on 25 October 1993 in Luxembourg the Institutions in question reached agreement on the operational procedure for the proceedings of the Conciliation Committee laid down in Article 189b.

In the period under review, 23 legislative acts were adopted by the European Parliament and the Council according to the procedure under Article 189b of the EC Treaty. Of these, 8 acts were referred to the conciliation procedure. The Conciliation Committee held 12 meetings in all, and there was a total of 19 sittings.

There was only one proposal for a Directive of the European Parliament and the Council referred to the conciliation procedure, that on the application of the principles of open network provision (ONP) to voice telephony, which was unsuccessful. The Conciliation Committee could not reach agreement on a joint text and the European Parliament rejected the Council's common position within the prescribed time.

Throughout the year the Presidency of the Council kept in close touch with the European Parliament by taking part in plenary part-sessions, during which it replied to 238 questions at Question Time and 35 oral questions with debate. In addition, the Council replied to 175 written questions.

The Presidency also took pains to respond to the European Parliament's wish to be promptly and fully informed, by making statements at every major event in the life of the Community or in connection with Titles V (CSFP) and VI (JHA) of the Treaty on European Union. The beginning and end of the Greek and German Presidencies and the three meetings of the European Council were the occasion for general policy debates, during which the Presidency presented the Council's views and heard the Parliament's opinion on the main issues of the time.

Ministers representing the Council appeared before European Parliament committees or attended meetings with Parliament delegations on more than 60 occasions. The custom whereby the Presidents of the three Institutions meet in Strasbourg was strengthened, enabling them to discuss questions of common interest.

In accordance with what is now a well-established tradition, the President of the European Parliament presented his Institution's position to the European Councils in Corfu, Brussels and Essen. This was an opportunity for the Heads of State or of Government to exchange views with the President of the European Parliament and to gain insight into its positions, which could be applied in discussions.

Another important event was the introduction of the procedure for the **appointment of the Commission** which assumes its functions in January 1995 until the end of the term of office of the European Parliament, i.e. five years, in accordance with the new wording of Article 158 EC. On 20 July 1994 the European Parliament delivered a favourable Opinion on the nomination of Mr SANTER as the person the Governments of the Member States intended to appoint as President of the Commission. By 1 November the Member States had nominated the other persons whom they intended to appoint by common accord as members of the Commission. The European Parliament had then to give its approval by a vote on the whole college in January 1995.

On 26 July the Conference of the Representatives of the Governments of the Member States appointed the Judges and Advocates-General in the partial replacement of the membership of the Court of Justice for the period from 7 October 1994 to 6 October 2000.

The Council appointed the members of the **Economic and Social Committee** for the period to 21 September 1998. The inaugural meeting of the new Committee was held in Brussels from 18 to 20 October 1994. The Council spoke at this meeting of the importance it attaches to the Committee's opinions and views.

The Council forwarded to the Committee 91 requests for Opinions and took due account of the Opinions it received when adopting the legislative acts in question.

The President of the Council took part in two plenary sessions of the Economic and Social Committee.

In 1994 the Council took the decisions laid down in the Treaty on European Union whereby a new organ of the Union, the **Committee of the Regions**, could be established. The Committee is an advisory body to the Council and the Commission consisting of representatives of regional and local bodies.

On 26 January 1994 the Council appointed 189 members and the same number of alternate members on a proposal from the respective Member States. On 25 May it adopted the Rules of Procedure of the Committee of the Regions on the basis of a text prepared by the Committee. On 30 August, the Council took the decision appointing the Secretary-General of the Committee on a proposal from the Bureau of the Committee as laid down in the Committee's Rules of Procedure.

The inaugural meeting of the Committee was held in Brussels on 9 and 10 March 1994. The Committee was assisted by the Economic and Social Committee Secretariat in the organization of the early meetings.

The President-in-Office of the Council addressed the inaugural meeting of the Committee; he welcomed the establishment of this body, which would bring the Union closer to its citizens.

The Council forwarded twenty or so requests for opinions to the Committee. The opinions delivered by the Committee of the Regions received the Council's particular attention. The Committee, which has thus become part of the Union's legislative procedure, has repeatedly expressed its desire to give political opinions which would reflect the regional and local interests of the Union.

On 28 November 1994 the Council adopted a Regulation (EC) setting up a **Translation Centre for bodies of the European Union**; the Centre is located in Luxembourg within the translation departments of the European Commission.

In the period under review, the Working Party on General Affairs held 15 meetings, at which it prepared Permanent Representatives Committee and Council discussions on various aspects of the Council's relations with the other Institutions.

In 1994 the Council was involved in 20 cases before the **Court of Justice**.

Thirteen cases were brought under Article 173 of the EC Treaty. Six cases concerned proceedings brought by Member States for the annulment of Council acts. The European Parliament instituted three sets of proceedings for annulment against the Council. The Commission twice brought such proceedings against the Council. Two appeals were introduced by legal persons.

The Council also intervened in six cases concerning requests for preliminary rulings from national courts under Article 177 of the EC Treaty, in order to defend the validity of one of its acts.

In addition, an appeal was brought against a judgment in one case involving the Council.

Under Decision 93/351/Euratom, ECSC, EEC of 8 June 1993 the Council transferred to the **Court of First Instance** the jurisdiction to hear all actions brought by natural or legal persons.

However, the Council decided to defer the entry into force of its Decision in respect of measures to protect trade in the case of dumping and subsidies under the ECSC and EEC Treaties.

Following a reform of the rules governing the decision-making procedures in the area of the protection of trade, the Council set 15 March 1994 as the date for entry into force of this part of its Decision.

On 11 May, in agreement with the Court of Justice, the Court of First Instance forwarded to the Council draft amendments to the Court of First Instance rules of

procedure, changes made necessary by the extension of its jurisdiction. The Council approved the amendments on 27 July 1994 and the Court amended its rules of procedure accordingly on 15 September 1994.

In 1994 the Council was involved in 194 cases before the Court of First Instance.

Of these cases, 164 concerned actions brought by natural or legal persons under the second paragraph of Article 215 in conjunction with Article 178 of the EC Treaty for damages attributable to action by the Council, notably as a result of the entry into force of the additional milk levy arrangements.

Twenty-five actions were brought by natural or legal persons under Article 173 of the EC Treaty for the annulment of a Council act. The Council intervened in five actions brought by natural or legal persons for the annulment of a Commission act.

On 28 July 1994 the United Nations General Assembly adopted, with 121 votes for, none against and seven abstentions, the Resolution adopting the Agreement relating to the implementation of Part XI of the United Nations Convention on the **Law of the Sea**, which included provisions interpreting and supplementing those of the United Nations Convention on the Law of the Sea.

The Agreement has entered into force provisionally for Belgium, France, Italy, Luxembourg, the Netherlands, the United Kingdom and the European Community. Germany is implementing the Agreement as a ratifying State.



## **2. Internal market**

The Internal Market Council, which held three meetings in 1994 (on 10 March, 16 June and 8 December), devoted particular attention to the management of the single market and to measures to ensure that it runs smoothly. Applying the co-decision procedure with the European Parliament for the first time, it also adopted a number of measures to strengthen and extend Community legislation.

### **Management and reinforcement of the internal market**

In the light of the Commission's strategic programme "Making the most of the internal market" presented in December 1993, the Internal Market Council in particular:

- examined at each meeting the progress made in transposing Community internal market Directives into national law;
- at its 16 June meeting adopted a Resolution on the development of administrative cooperation in the implementation of Community legislation, which established contact points in national administrations to cover the key areas of the internal market;
- reviewed information policy, including the organization of "internal market weeks".

The Council considered, in particular, measures designed to prevent the creation of technical barriers to trade and to enhance the transparency of national technical regulations and their application. Thus, in March 1994, it adopted an amendment to Directive 83/189/EEC, extending the notification requirement to "de facto" technical regulations such as voluntary agreements to which public authorities are parties and to technical specifications linked to fiscal measures affecting the consumption of a product.

The Council also examined a proposal for a Decision establishing a procedure for the exchange of information on national measures derogating from the principle of the free movement of goods within the Community.

### **Legislative activities**

#### ***Checks on goods – Customs union***

The Council's work in this area during 1994 was focused on strengthening checks at the European Union's external borders. The Council devoted particular attention to two proposals for Regulations, the one designed to prohibit the release for free circulation, export and transit of counterfeit goods, the other to strengthen cooperation between the

Member States' administrative authorities and between those authorities and the Commission to ensure the correct application of the law on customs and agricultural matters.

### ***Harmonization of legislation***

The Council continued its efforts on completing the harmonization of Community legislation in key industrial sectors.

The Council adopted two Directives in the motor-vehicle sector. On 22 March it adopted a Directive imposing, from September 1994, a further swingeing cut in the limit values for pollutant emissions from motor vehicles. The Directive also requires the Commission, as part of a global approach, to submit a proposal for another substantial reduction in emissions by the year 2000.

The second Directive, adopted on 16 May, introduces harmonized requirements for the coupling devices of motor vehicles and their trailers. This, too, will make a significant contribution to the drive for a cleaner environment: by making vehicles interchangeable unladen journeys by heavy lorries will be avoided.

On 8 December, the Council adopted a common position on a proposal for a Directive aimed at improving safety on buses and coaches by laying down requirements for the flammability of materials used in constructing the interior of such vehicles.

In 1994 the Council continued with its examination of a number of Directives, which, once adopted, will provide an approval procedure for two and three-wheel motor vehicles.

Directives adopted in other industrial sectors included:

- the Directive on equipment and protective systems intended for use in potentially explosive atmospheres, adopted by the Council at its meeting on 10 March. This applies, in particular, to equipment intended for use in the underground parts of mines and to the surface parts of their installations and covers hazards from both electrical and non-electrical sources;
- the Directive relating to the labelling of the materials used in the main components of footwear for sale to the consumer. This Directive, adopted by the Council on 21 March, is designed to ensure the free movement of footwear in the Community and to provide the consumer with reliable information through a simple but effective labelling system;
- the Directive on recreational craft, adopted by the Council on 6 June. This applies to recreational craft between 2,5 and 24 metres in length and lays down the essential safety requirements which such craft must meet.

## **Financial area**

In 1994 the Council continued its work on completing the Community financial area, focusing on ensuring that depositaries and investors are adequately protected. On 16 May it adopted a Directive on deposit-guarantee schemes. This Directive introduces a minimum number of rules, harmonized throughout the Community, in order to protect depositors in the event of a credit institution failing and to prevent sudden withdrawals of funds that could affect the stability of the banking system. The Directive requires, in principle, all credit institutions to belong to a guarantee scheme and that, should a credit institution fail, deposits must be repaid up to a minimum standard amount which as a general rule is set at ECU 20 000.

The Council also made certain changes to the *acquis communautaire* in this area, adopting on 16 May a Directive which simplifies certain procedures for the listing particulars to be published for the admission of securities to official stock-exchange listing. On 6 June it adopted a common position on a Directive reinforcing prudential supervision in the field of financial services following a number of cases of fraud, notably the BCCI affair.

## **Intellectual property**

At its meeting on 7 February the Council adopted its common position on the proposal for a Directive on the legal protection of biotechnological inventions, a Directive designed to harmonize the requirements for granting patents for such inventions.

On 19 September, the Council, unable to approve the amendments voted by the European Parliament at second reading, decided to invoke the conciliation procedure. An initial meeting of the Conciliation Committee was held on 28 November. A joint text adopted by the Committee in January 1995 was not approved by the Parliament in plenary, with the result that the Directive was not adopted.

## **Data protection**

Council bodies examined in detail the provisions of the proposed Directive on the protection of individuals with regard to the processing of personal data and on the free movement of such data. A very wide measure of agreement was reached by the Council in late December 1994. The common position was adopted in February 1995.

The aim of this Directive is to facilitate the free movement of data within the European Union, whilst at the same time ensuring a high level of protection for individuals with regard to the processing of personal data.





### 3. Fiscal harmonization

During 1994 the Council concentrated first on making necessary improvements to the proper functioning of *transitional VAT arrangements* and the *new system of excise duties* which had been in place since 1 January 1993. In all these areas simple solutions had to be found to satisfy both economic operators and tax authorities.

In the field of VAT this involved the fiscal approach to chain transactions and the supply of services in transport and ancillary services linked with intra-Community transport of goods. Community legislation was found to be necessary to clarify and simplify the movement and monitoring system in the excise duties arrangements.

In 1994 it was also necessary to define the basis for the *definitive VAT system* due to enter into force on 1 January 1997.

To this end, on 25 October the Council adopted conclusions on the essential criteria for the introduction of a definitive VAT system. These criteria would mean fewer administrative obligations for business and administration and a fundamental simplification of taxation, no diminution of Member States' revenue from turnover tax, no increase in the risk of tax fraud and the preservation of the neutral effect of VAT on competition.

Moreover, on 22 December the Council adopted transitional measures applicable to VAT and travellers' allowances in the framework of the accession of Austria, Finland and Sweden.

In the field of direct taxation the Council continued throughout the reference period to discuss the *taxation of savings*.

Finally, it should be noted that the Essen European Council took note of the Commission's intention of submitting guidelines for the *tax on CO<sub>2</sub> emissions and energy* to enable each Member State wishing to apply such a tax to do so on the basis of common parameters. The Economic and Financial Questions Council was invited to study these parameters.



#### **4. Export credits**

The Council continued to discuss export credits. It contributed, inter alia, to the discussions of the Participants in the Arrangement on Export Credits (most of the OECD countries). In 1994 these discussions culminated in an agreement on further improvements in discipline in this area.

At the Community level discussions continued on the prevention of distortions in competition by means of a system of mutual consultation.

In addition, the Commission submitted to the Council a proposal for a Directive to encourage harmonization of the Member States' conditions for medium and long-term credits.



## **5. Progress towards Economic and Monetary Union**

### **The economic situation and convergence**

The year was marked by the beginnings of an economic recovery which now seems to have faded; Community GDP growth was estimated at 2,6%. Increased price stability was another salient aspect of economic trends in 1994. Annual inflation fell to its lowest level for seven years (approximately 3%).

Moreover, under the combined impact of cyclical influences, lower borrowing costs and efforts towards budgetary consolidation, the total government deficit in the Community began to decline from the high point it reached in 1992. This favourable change was nevertheless insufficient to stabilize the level of government debt against GDP, which was expected to exceed 70%.

Community currency exchange rates continued to follow the same trends as they have since the European monetary system's crisis of two years ago. The strong currencies continued to appreciate, nominally and in real terms, while the Italian lira and the pound sterling, which left the EMS, weakened. Altogether, European currencies appreciated significantly against the United States dollar and this helped to worsen the Community's competitive position in comparison with other industrialized countries. Nevertheless, these developments did not prevent the creation of a significant Community trade surplus in 1994.

The continuing weakness of the United States dollar and the risk of a rise in long-term interest rates were the two most important factors likely to slow down the economic recovery essential to a reduction in unemployment. Unemployment reached a peak of 11% in the spring of 1994 and towards the end of the year seemed to begin a sharper decline than had been expected.

### **Economic policy**

The Ministers for Finance of the Member States meeting within the Council continued to monitor economic trends in the Community throughout 1994 and to formulate policies aimed both at achieving economic and monetary union and at relaunching growth and employment in Europe.

1994 was the first year of the second stage of economic and monetary union. The Council therefore implemented new measures under the provisions of the Treaty on European Union in the field of economic policy.

#### ***Broad guidelines of the economic policies of the Member States and of the Community***

On 11 July 1994 the Council adopted the Recommendation on the broad guidelines of the economic policies of the Member States and of the Community, thus creating the

necessary reference framework for national economic policies in time for the preparation of the 1995 budgets of most of the Member States.

These guidelines confirmed the medium-term strategy outlined by the Council in December 1993. The aim was to bring the Community's economy back to a path of stronger, durable and more employment-creating growth. They also reaffirmed the Community's commitment to the process of achieving EMU and to the timetable as defined in the Treaty on European Union. The main guidelines that emerged from the 1994 Council Recommendation were price and exchange rate stability, the consolidation of government finances, a significant increase in the proportion of investment in GDP, improvement of competitiveness and the Community's job-creation capacity, wage moderation, the reduction of indirect labour costs where appropriate, an active employment policy to improve education and training systems and the completion of the internal market.

At the end of the year the Council examined the implementation of these guidelines and reaffirmed the priorities needed to support economic growth. The outcome of the examination was forwarded to the European Parliament and to the European Council for approval.

#### ***Procedure regarding excessive government deficits***

With the beginning of the second stage of economic and monetary union on 1 January 1994, the provisions of the Treaty on European Union on excessive government deficits entered into force. More specifically, it is during the second stage that the Member States must endeavour to avoid excessive government deficits. The sustainability of public finances is one of the convergence criteria which must guide the Community in the decisions it is to take when moving on to the third stage of economic and monetary union. Implementation of the new procedure is one of the Council's most effective mechanisms for countering the budgetary imbalances of the Member States.

The Member States informed the Commission of their budgetary positions in March 1994. On the basis of those data the Commission submitted ten proposals for Council Decisions on the existence of excessive public sector deficits in ten Member States (Belgium, Denmark, Germany, Greece, Spain, France, Italy, Netherlands, Portugal and United Kingdom). The Council adopted the ten Decisions on 26 September.

On 7 November, on a proposal from the Commission, the Council adopted ten Recommendations addressed to the ten Member States in question setting out measures to enable them to bring an end their excessive government deficits as soon as possible.

### ***Convergence programmes***

One of the most significant aspects of the process of achieving economic and monetary union was the presentation and subsequent discussion by the Council of the Member States' convergence programmes.

At the Council meeting on 14 February 1994 the Monetary Committee submitted guidelines for the content and presentation of these programmes. The guidelines cover, inter alia, the reference period for the programmes (at least 3 years), macro-economic projections, the main aspects to be taken into consideration (in particular the convergence criteria laid down in the Treaty) and the measures for achieving these objectives.

In the course of the year the following were examined:

- the revised convergence programme for Portugal for 1993-1997 (meeting on 14 February);
- the convergence programme for Denmark for 1994-2000 (meeting on 21 March);
- the revised convergence programme for Greece for 1994-1999 (meeting on 19 September);
- the convergence programme for Ireland for 1994-1996 (meeting on 19 September);
- the revised convergence programme for Spain for 1995-1997 (meeting on 10 October);
- the convergence programme for the Netherlands for 1995-1998 (meeting on 5 December).

### **White Paper on growth, competitiveness and employment**

Also of importance during the Finance Ministers' discussions was the implementation of the action plan adopted by the Brussels European Council in December 1993 on the basis of the "White Paper on a medium-term strategy for growth, competitiveness and employment".

Discussions on the action plan progressed in six directions: completion of the internal market, the qualitative and quantitative development of research, trans-European transport and energy networks, achieving what is known as the information society, improvement of employment systems and examining the link between growth and the environment.

At the Council's suggestion a working group on the completion of the internal market (the "Molitor" Group) was set up. It was made up of independent experts and given the task of examining the impact of Community legislation on employment and competitiveness with a view to deregulation and simplification.



Regarding the improvement of employment systems, the Council examined reports submitted by the Economic Policy Committee identifying the main obstacles to the proper functioning of national labour markets and priorities in employment policy. As a result of that examination the Council drew up recommendations to be submitted to the Essen European Council, which urged the Member States to transpose them into a multiannual programme having regard to the specific features of their economic and social situation. The Essen European Council also invited the Labour and Social Affairs and Economic and Financial Affairs Councils and the Commission to keep close track of employment trends, monitor the relevant policies of the Member States and to report to it annually on further progress.

Regarding the implementation of the trans-European networks, the Finance Ministers' discussions within the Council paid particular attention to the question of their financing.

At Corfu the European Council had confirmed that measures would be taken, within the limits of the financial perspective, to ensure that the eleven priority projects selected would not run into financial obstacles that might jeopardize their implementation.

In this specific area, in March 1994 the Commission submitted a proposal for a Regulation with a view to fixing general rules for the granting of Community financial aid to infrastructure projects in the fields of transport, telecommunications and energy. The cost of these measures was estimated at ECU 2 400 million for the period 1994-1999.

### **Financial assistance to third countries**

Throughout 1994 the Community continued to give financial support to the process of structural adjustment in the economies of the countries of Central and Eastern Europe as well as to other third countries in view of their specific situations.

#### ***Bulgaria***

On 21 March the Council agreed to give Bulgaria ECU 110 million in financial assistance against the amount in the Decision of October 1992. The assistance was granted subject to the approval of a new stand-by arrangement between Bulgaria and the IMF covering Bulgaria's economic programme for 1994. An initial tranche of ECU 70 million was disbursed in November.

#### ***Moldova***

On 16 May the Council approved ECU 45 million of macro-financial assistance for Moldova over 10 years in view of that country's specific political and economic situation. The legal act was adopted by the Council on 13 June.

### ***Romania***

On 16 May the Council agreed to the payment of ECU 90 million in financial assistance to Romania as part of a global operation which could involve as much as ECU 125 million. The legal act was adopted on 20 June.

### ***Algeria***

On 16 May the Council agreed to the Commission releasing the second tranche (ECU 150 million) of the loan granted to Algeria in September 1991.

On 16 May and 5 December the Council also examined the granting of additional macro-financial assistance up to a maximum of ECU 200 million, to be disbursed in two tranches, to help Algeria to continue its adjustment efforts and structural reforms in close collaboration with international financial institutions. The formal act for granting the aid was adopted on 22 December.

### ***Albania***

On 28 November 1994, after long negotiations, the Council adopted a Decision granting Albania further macro-financial assistance of ECU 35 million in the form of a grant to be disbursed in two tranches. An initial grant of ECU 70 million had been made in September 1992.

### ***Slovak Republic***

On 11 July and 5 December the Council examined the granting of further macro-financial assistance to Slovakia of up to ECU 130 million to be disbursed in two tranches. The assistance was to be implemented subject to the Slovak authorities continuing the extensive reform process supported by the international financial institutions and the G-24.

### ***Ukraine***

On 5 December the Council agreed in principle to a loan to Ukraine of up to ECU 85 million for a period of no more than ten years and to be paid in a single tranche. The formal decision was adopted on 22 December.

As part of the preparation for the accession of the countries of Central and Eastern Europe to the Community, the members of the Economic and Financial Questions Council met their counterparts on 5 June and 7 November 1994. These meetings *inter alia* provided opportunities for a detailed exchange of views on assistance in the structural transformation of those countries and on stepping up trade and investment.



## **6. Industrial policy**

### **Restructuring the Community steel industry**

Efforts continued throughout 1994 to finalize the steel industry restructuring plan with a view to re-establishing competitiveness in the sector on a sustainable basis.

The restructuring programme approved by the Council in February 1993 rested on two pillars, namely the industry's presentation of an adequate and credible programme of voluntary capacity reduction and the adoption by the Commission and/or the Council of flanking measures to facilitate the restructuring process. In this context and notwithstanding favourable market trends the Council confirmed that the minimum objective of the restructuring plan was a capacity reduction of 19 million tonnes, to be achieved by both the public and the private sector.

In the public sector, on the basis of half-yearly reports from the Commission, the Council exercised rigorous control over the state aids that had been authorized in December 1993 to enable production capacity in the sector to be reduced by 5,4 million tonnes.

In the private sector, the Council noted in November 1994 that the private sector's capacity reduction programme had proved insufficient, amounting to only 16,2 million tonnes, and that the Commission had therefore had to abandon the restructuring plan, which meant that there was no reason to continue certain flanking measures that had been implemented in advance and had already been extended more than once.

In this situation the Council reaffirmed its serious concern at the persistence of structural overcapacity, the main cause of the difficult situation in which the European steel industry found itself, and remained of the opinion that a lasting solution to the problem of overcapacity should be found.

The Council therefore

- invited the Commission to continue to monitor the situation closely and to prepare appropriate measures in keeping with the particular market situation,
- appealed to the industry's sense of responsibility for it to continue cooperating actively in the search for lasting solutions,
- invited the Commission to report to it regularly on developments in this sector and on the measures it is planning to take.

## **Competitiveness in European industry**

On the basis of the White Paper and reports and communications from the Commission, the Council continued its discussions on the competitiveness of European industry, at the end of which it adopted conclusions and resolutions on the competitiveness of European industry in general and of certain specific sectors.

The Essen European Council stated its intention of continuing in future to pay special attention to questions concerning the competitiveness of the European economy.

## **Policy on SMEs and the craft sector**

After examining the Integrated Programme submitted by the Commission and further to the conclusions of the Corfu European Council, the Council adopted a resolution drawing appropriate operational conclusions from the programme and aiming in particular at reducing the legal and bureaucratic obstacles encountered by SMEs.

## **Telecommunications / Postal services**

Throughout 1994 the Council pursued its efforts, based on work undertaken in 1993, to provide the necessary framework and conditions for the gradual liberalization of the whole telecommunications sector within the European Union and to facilitate the functioning of the internal market by providing for the efficient interchange of data between administrations.

Work in the telecommunications sector has concentrated in the following main areas: information society; liberalization of telecommunications infrastructures; trans-European and data networks; mutual recognition of licences; advanced television services.

## **Information society**

A key element for the European Union in 1994 was the political impetus given by the Member States to the development of an "information society", which is considered of prime importance for the socio-economic well-being of the European Union in terms of growth, competitiveness, employment, social progress and improved quality of life. The rapid development of digital technology is transforming the telecommunications, computer, information and audio-visual industries on a worldwide basis and in the near future is likely to have a profound effect not only on the business environment but also on the everyday lives of European citizens.

This initiative is based on the work undertaken by the "Bangemann Group", which was set up by the European Council in December 1993 as a "think tank" to report on specific measures needed on infrastructures in the field of information and communication technology.

The Council recognizes that the prime responsibility in this area rests with the private sector and that the role of the Member States and the Community is to provide the necessary conditions for progress (i.e. by creating a clear and stable regulatory framework and providing the necessary political backing). In this context, the European Council of Corfu in June 1994 confirmed the need for rapid action to set in place cost-effective information infrastructures.

The joint Industry/Telecommunications Council of 28 September 1994 welcomed the rapid submission of the Commission's action plan relating to an "information society". The Council is concerned to ensure that European industry remains competitive in an increasingly globalized world economy and in particular called for urgent action with regard to liberalization of telecommunications infrastructures and voice telephony, as being two areas of fundamental importance for the development of an "information society".

The European Council at Essen in December 1994 welcomed the steps already undertaken with respect to the creation of an "information society" (such as the liberalization of telecom infrastructures) and called for the Commission to propose measures in the audiovisual sector and for the Council to create the necessary legal framework.

### **Infrastructures**

One of the most significant developments in the telecommunications sector in 1994 was the agreement by the Council on the principle and timetable of liberalizing telecommunications infrastructures within the European Union. Member States agreed on the same date as that for the liberalization of voice telephony services, i.e. 1 January 1998, with the same derogations for certain countries.

In the area of Open Network Provision (ONP), the Council regrets that little concrete progress has been made with regard to the application of ONP to voice telephony, owing to the rejection of the Council's text by the European Parliament at the end of the co-decision procedure.

### **Trans-European networks and data exchange**

In accordance with the provisions of Title XII of the Maastricht Treaty relating to trans-European networks, the Council worked on proposals for the development of the integrated services digital network (ISDN) as a trans-European network and reached a common position under the German Presidency on guidelines for the development of ISDN taking into consideration the overall context of the "information society".

As regards exchange of data, the Council called for the coordination of all activities relating to the implementation of data exchange systems between administrations in order to avoid duplication and undue bureaucracy. The Council adopted a Decision on telematic networks for statistics relating to the trading of goods between Member States (EDICOM) and reached political agreement on a broader decision covering different projects in the area of telematic interchange of data between administrations (IDA).

## **Advanced television**

The Council worked on proposals to create the suitable legal framework to take account of technological developments such as digital television. After some delay due to an extensive process of consultation with the industry, progress was made under the German Presidency when a common position was adopted on the draft Directive on use of standards for the transmission of television signals.

## **Postal sector**

At the beginning of the year, the Council adopted a Resolution setting out broad guidelines for Community policy in the postal sector which involve two main facets: maintenance of universal service and the gradual liberalization of services.

## 7. Research and technological development

The conditions for the Union's RTD policy are currently set by both the position of research in the 1994-1999 financial perspectives and the new legislative procedures in the field of RTD policy after the entry into force of the Maastricht Treaty. The Framework Programme is adopted on the basis of the co-decision procedure and the unanimity of the Council. The specific programmes are adopted on the basis of a simple consultation of the European Parliament and a qualified majority in Council.

It is recalled that the Brussels European Council of 10 and 11 December 1993 earmarked ECU 12 billion as a planned budgetary allocation for RTD policy in the period to be covered by both framework programmes, i.e. (under EC and EURATOM Treaties respectively) with a possible supplement of ECU 1 billion.

### Framework Programme

At its meeting on 14 January 1994, the Research Council adopted a common position on the Fourth Framework Programme and also confirmed its political orientation on the Euratom Framework Programme and transmitted the above common position to the European Parliament under the co-decision procedure.

At its sitting on 9 February, the European Parliament approved the Council's common position subject to ten amendments.

The Council found on 4 March that it could not accept in particular the Parliament's amendments on an increase of the global amount of the Framework Programmes to ECU 12,4 billion and on specific appropriations for the Joint Research Centre. Other amendments, some of them strongly supported by the Commission, were generally acceptable. Given the divergence of views between the Council and the Parliament on its main amendments, the Presidency of the Council asked for a meeting of the conciliation committee, which convened on 21 March.

At that meeting, the Council and the Parliament agreed to a common understanding the key elements of which are:

- an increase of the global amount to ECU 12,3 billion;
- a commitment to decide on a further possible increase of ECU 700 million at the latest by the end of 1996;
- subdivision of the increased ECU 300 million as to 50%, 40% and 10% respectively between Activities 1, 2 and 3 of the Framework Programme;
- the establishment of a global budget of ECU 900 million for the Joint Research Centre spread over the two parts (EC and Euratom) of the Framework Programme.



The above agreement was formalized on 26 April 1994 in a common decision of the Parliament and the Council adopting the Fourth Framework Programme.

### **Rules for participation and on the dissemination of results**

At its meeting on 27 June, the Council reached political agreement on the common positions as to the rules for participation in the EC and Euratom framework programmes, as well as on the rules on dissemination for the EC Framework Programme, the Euratom Treaty having its own provisions on dissemination.

The Council having formally adopted these common positions at its meeting on 18 July, the European Parliament approved the three Council common positions on this subject at its sitting on 26 October without further amendment. Final adoption by the Council took place on 21 November.

### **Specific programmes**

The Framework Programme having been adopted in April, the Council embarked upon the task of adopting 20 specific programmes before the end of 1994, namely 17 programmes under Article 130i of the EC Treaty and 3 under Article 7 of the Euratom Treaty.

At the Council meeting on 27 June, agreement was reached on two specific programmes, namely Advanced Communications and Industrial and Material Technologies. Formal adoption by the Council took place on 27 July.

Further agreement by the Council was reached at its meeting on 29 September on the following seven specific programmes:

- Telematics;
- Standardization, measurement and testing;
- Agriculture and fishery;
- Non-nuclear energy;
- Information technologies;
- Marine science and technologies;
- Cooperation with third countries and international organizations.

The Council formally adopted the above programmes by decisions taken on 23 November.

At the same meeting, the Council reached a favourable orientation on the Fusion Programme, on which Parliament's Opinion, requested optionally, had not been received. Final adoption by the Council took place on 8 December.

At the Council meeting on 1 December, agreement was reached on the remainder of the specific programmes. These Community programmes relate to:

- Biomedicine and health;
- Biotechnology;

- Dissemination and optimization of results;
- Environment and climate;
- The Joint Research Centre programme and competitive support activities;
- Socio-economic research;
- Stimulation of the training and mobility of researchers;
- Transport.

At the same meeting agreement was reached on two Euratom programmes, the nuclear fission safety programme and the Euratom part of the Joint Research Centre Programme.

Formal adoption by the Council in all Community languages of the above ten decisions took place on 15 December.

### **International cooperation**

The Council authorized the Commission to negotiate agreements in 1994 for scientific and technological cooperation with Israel and Switzerland. An overall agreement in this sector with Australia was concluded on 27 June 1994.

The European Atomic Energy Community concluded on 21 March an agreement on cooperation in the engineering design activities for the international thermonuclear experimental reactor with the United States, Japan and the Russian Federation. The decision for conclusion was adopted by the Council on the same day.

### **CREST**

The Scientific and Technical Research Committee (CREST) was this year intensively engaged in the preparation of the Council Decisions on the EC Fourth Framework Programme and its specific programmes. Early in September, CREST delivered its opinions on the scientific and technical content of all specific programmes, thus contributing to the Council's work. The Council, at its meeting on 1 December, adopted a Resolution inviting CREST to re-examine its mandate.

### **COST**

The COST cooperation framework comprises 25 individual European states. Two of its fields of activity, research on transport and socio-economic research, are now incorporated in the Fourth Framework Programme. Work began in COST on possible new cooperative challenges (neurosciences, physics, etc.), which may reconfirm its role of front runner. COST continues to represent a considerable force in the field of European science. There are currently 115 concerted actions in progress, involving 1 200 teams from 25 European countries as well as from research institutes from non-COST countries which are allowed, after approval by the COST Senior Officials Committee, to participate on a project by project basis.



## 8. Energy

The first direction in which the Council turned its attention in the field of non-nuclear energy was the consolidation of the internal market in energy, including harmonization of the regions of the Community by setting up trans-European networks for electricity and natural gas. Still under the heading of the internal market, the European Parliament and the Council adopted in the framework of the co-decision procedure a Directive on the conditions for granting and using authorizations for the prospection, exploration and production of hydrocarbons in the Community.

The Council also considered the question of developing new energy policy guidelines, given that the current guidelines expire in 1995. The Council also gave thought to the role of energy in an important area, that of economic and social cohesion. Finally, as the European Parliament had forwarded its Opinion to the Council, the latter was able to continue its examination of the Commission proposal containing a programme of financial support for the promotion of energy technology (THERMIE II).

In the field of nuclear energy, on 19 December the Council adopted a Resolution on radioactive waste management. In addition, although the text of the new Directive laying down the basic safety standards for the protection of the health of workers and the general public against the dangers arising from ionizing radiation was not finalized, the Council continued to discuss the matter intensively in order to update the current Directive so as to maintain a high standard of protection within the European Union.

On 22 December, in the context of the European Atomic Energy Community's bilateral and multilateral relations, the Council adopted a Decision authorizing the Commission to conclude two nuclear cooperation agreements with the Russian Federation in the fields of controlled nuclear fission and nuclear safety. In addition, steady progress was made in the negotiation of a new nuclear cooperation agreement with the United States. Moreover, proposals for mandates for the Commission to negotiate nuclear cooperation agreements with five new independent States were examined in detail.

Stressing the importance it attaches to nuclear safety in the countries of Central and Eastern Europe and the new independent States, on 25 May the Council adopted conclusions on nuclear safety in the context of the electricity sector in those countries and States.

Finally, the negotiations to establish a Treaty to implement the provisions of the European Energy Charter were concluded and led to the signing of an initial Treaty in Lisbon on 17 December. After the signing of this initial Treaty, negotiations would continue to finalize a second text to solve the problem of the protection of investors in the pre-investment phase.



## **9. Transport**

During 1994 the Council continued to develop the common transport policy, in particular taking account of the amendments introduced by the Treaty on European Union. A new title on trans-European networks was included in the Treaty, transport safety was added as an objective to be achieved and the procedures for the adoption of Community acts were changed.

Thus the Council began examining a proposal for a Decision of the European Parliament and the Council on Community guidelines for the development of the trans-European transport network covering all transport infrastructures with a view to intermodal integration.

In addition its attention focused on transport safety, especially in the sectors of shipping and the transport of dangerous goods by road.

The Council paid special attention to examining relations with a number of third countries, in particular the Swiss Confederation, as regards air and land transport and the countries of Central and Eastern Europe in the field of land transport. It also resumed discussions on the development of rules for rail transport.

In the area of questions linked with all forms of transport the Council adopted a Directive on provisions relating to summer-time and a Resolution on telematics in the transport sector.

The Council also adopted a Resolution on the European contribution to the development of a global satellite navigation system.

### **Land transport**

In the area of road transport the Council paid special attention to safety. In this connection the Council adopted a Directive on the approximation of the laws of Member States with regard to the transport of dangerous goods by road (ADR) and a common position on uniform procedures for checks on the transport of dangerous goods by road. The Council also adopted a general Resolution on road freight transport.

Dealing with rail transport, the Council adopted a common position on two proposals for Directives supplementing and facilitating the application of Directive 91/440/EEC on the development of the Community's railways. One of the proposals involved licences for railway undertakings and the other the allocation of railway infrastructure capacity and the charging of fees. The Council also began examining a proposal for a Directive on the interoperability of the European high-speed train network.

In connection with inland waterway transport the Council adopted a Regulation on structural improvements in inland waterway transport extending a previous Regulation. It also adopted a Resolution on the same subject advocating further extensive structural improvements.

### **Air transport**

Once the single market in air transport had been established on 1 January 1993 the Council continued its discussions with a view to improving the situation of European civil aviation. To this end the Council adopted a Resolution inviting the Commission to draw up as soon as possible proposals to step up competitiveness in the sector by improving the air traffic management and control system, standardizing the provisions on air transport safety, improving the use of air infrastructures and eliminating State aids which had or could have negative effects on competition.

The Council also adopted a Directive on establishing the fundamental principles governing the investigation of civil aviation accidents and incidents. The main basis for the Directive is the conviction that determining the causes and circumstances of accidents (by means of a detailed technical investigation) is of fundamental importance if better preventive measures are to be developed within the framework of a common air safety policy.

Since it was set up in July 1993, the activities of the Working Party on Aviation have enabled the Member States to consult each other to assess and hold exchanges of views on various questions arising between the Community and certain third countries. It has also facilitated in-depth consultations between the Member States on the European Community's participation as an observer in the discussions of the International Civil Aviation Organization (ICAO) and the European Civil Aviation Conference (ECAC).

### **Shipping**

The seas surrounding the Community having once again been the scene of serious accidents the Council has made great efforts to speed up the adoption of the measures relating to safety at sea arising from its Resolution of 8 June 1993. It therefore adopted Directives on the minimum level of training for seafarers and on ship inspection organizations and a Regulation on port charges for segregated ballast oil tankers. It also adopted conclusions on marine safety and marine pollution prevention and a Resolution on the safety of roll-on roll-off passenger ferries based on the lessons drawn from the accidents that occurred in 1994 involving the "Sherbro" and the "Estonia".

At the same time the Council reached a political agreement on the proposal for a Directive on port controls on vessels and began discussions on the reporting of vessels carrying dangerous or polluting goods in transit along the Community's coasts (EUROREP).

Finally the Council continued to concern itself over the difficult competitive position of the Community's fleets. Against this background it discussed the application of the competition rules, relations with third countries and a proposal on the EUROS register.





## **10. Regional policy**

### **Cohesion Fund**

After the adoption in July 1993 of the new rules for the Structural Funds, on 16 May the Council adopted the Regulation establishing the Cohesion Fund. This took place after the Committee of the Regions had delivered its opinion on 5 April and the European Parliament its assent on 5 May.

This was the first time the assent procedure laid down in the "Maastricht Treaty" had been applied to a legal act.

The Regulation stipulated that the Fund's purpose was to help reinforce the Community's economic and social cohesion by financing projects relating to the environment and projects of common interest relating to transport infrastructure.

The Fund was helping Greece, Spain, Ireland and Portugal.

The Fund's total resources for 1993-1999 amounted to ECU 15,15 thousand million at 1992 prices. This amount was allocated indicatively between the four beneficiary countries: Spain 52% to 58%, Greece 16% to 20%, Portugal 16% to 20% and Ireland 7% to 10%.

These amounts added to those the countries would receive from the Structural Funds in accordance with the rules for the latter adopted in 1993 would double the Community's contribution to those four countries for 1994-1999 as compared with 1988-1993 and as decided by the Edinburgh European Council in December 1992.

The rate of assistance from the Fund was set between 80% and 85% of public or equivalent expenditure.

Provision has been made for the suspension of financing for new projects if the Council decides that an excessive government deficit exists in a Member State and where the decision is not abrogated during the period laid down by the Council for the Member State to correct that deficit. The suspension of financing, which could not take effect before 1 November 1994, would cease as soon as the Council abrogated the decision that an excessive deficit existed.

### **International Fund for Ireland**

On 31 October the Council adopted the Regulation on Community financial contributions to the International Fund for Ireland.

The Fund was set up in 1986 in the context of the Anglo-Irish Agreement of 15 September 1985 with the aim of facilitating economic and social progress and promoting reconciliation between nationalists and unionists throughout Ireland. Since its creation the Fund has supported some 3 000 projects. Recognizing that the Fund's objectives were the same as its own, the Community has made an annual contribution to the Fund of ECU 15 million since 1989.

The Regulation adopted makes provision for the payment by the Community of ECU 20 million a year to the International Fund for Ireland from 1995 to 1997.

## **11. Social policy**

The Council continued its activities in the field of employment, drafting a report on combating unemployment for the European Council in Essen (9/10 December 1994).

The Commission White Paper "European Social Policy – A way forward for the Union" and an initiative by the German Presidency led the Council to examine the future of the European social policy.

In the field of legislation, the most significant developments were the adoption of the Directive, based on the Social Policy Protocol, introducing European Works Councils or a procedure in Community undertakings for informing and consulting employees, and the Decision establishing a multiannual programme in the field of vocational training ("LEONARDO DA VINCI").

Where health and safety at work were concerned, the Council adopted the Regulation establishing the European Agency for Safety and Health at Work with headquarters in Bilbao (Spain) and the Directive on the protection of young people at work.

The Council also adopted a Regulation transferring the headquarters of the European Centre for the Development of Vocational Training from Berlin to Thessaloniki and a Regulation extending the powers of the European Training Foundation (Turin) to the Independent States of the former Soviet Union and to Mongolia.



## **12. Education**

On 18 July 1994, the Council adopted its common position on the SOCRATES programme, the aim of which is to contribute to the development of quality education and of an open European area for cooperation in education, taking the substance of current Community programmes as a basis and extending its scope to include school education.

The overall sum estimated necessary in the common position for implementation of the programme was ECU 760 million for a period of 5 years (1 January 1995 to 31 December 1999).

The programme was subsequently adopted in 1995, under the co-decision procedure, for the same period but for an amount of ECU 850 million.

At its meeting on 21 June 1994, the Council adopted conclusions on the cultural and artistic aspects of education and at its meeting on 5 December, it adopted a resolution on the quality and attractiveness of vocational training and another on the promotion of education and training statistics in the European Community.



### **13. Youth**

On 11 July 1994, the Council adopted its common position on the third phase of the "Youth for Europe" programme. This phase covers the period from January 1995 to December 1999 and provides for an expansion of the second programme, particularly with regard to youth exchanges between the Member States and the training of youth workers. The programme also aims to support exchanges with young people, particularly those from non-member countries with which cooperation agreements have been established.

The common position estimates the overall amount deemed necessary for implementation of the programme at ECU 105 million. For the part of the programme which concerned non-member countries, the Council took account of the annual rate of expenditure for young people from countries covered by the TEMPUS programme, which is currently ECU 3,5 million.

The programme was adopted in 1995, under the co-decision procedure, for the same period but for an amount of ECU 126 million.

In addition, the Council and Ministers responsible for Young People meeting within the Council adopted at their meeting on 30 November 1994 conclusions concerning the promotion of voluntary service periods for young people.





## **14. Culture**

The Council's conclusions of 17 June 1994 on cultural heritage outline the framework for and possible content of future Community action and call upon the Commission to make a proposal in that connection.

The Council also adopted conclusions on cooperation in the field of archives and on the theme "children and culture".

During the same Council a decision was taken designating St Petersburg and Ljubljana host cities for the European Cultural Month for 1996 and 1997 respectively.

Pursuant to new Article 128 EC, the Commission forwarded to the European Parliament and to the Council a communication on European Community action on culture comprising two proposals:

- one concerning a support programme for artistic and cultural activities with a European dimension (KALEIDOSCOPE 2000)
- the other concerning a support programme on books and reading (ARIANE).

It also outlined to the Council at the meeting on 10 November 1994 its initiatives regarding the submission of a proposal on the protection of the cultural heritage of Europe.



## 15. Health

As far as health is concerned, 1994 essentially saw

- the definition of a new framework for action in the field of public health, in line with Article 129 of the Treaty. Further to a Commission communication, the Council adopted a new resolution on how it saw this action, its scope, its methods, its priorities and
- the launching of preliminary initiatives for multiannual projects of encouragement within this framework. The Commission's new initiatives, some of which will carry on from the current activities and programmes, cover several of the priority areas of action for the prevention of certain "major scourges" and for the prevention of disease in general, namely:
  - = action to combat cancer,
  - = action to combat drug abuse,
  - = action on the prevention of AIDS and other communicable diseases,
  - = health promotion, information, education and training.

For each of these action areas, it is proposed that a plan or programme of action be adopted for the next five years.

The Council concentrated on examining these proposals during the second half of 1994. They were finally adopted in 1995.

It also decided to extend, on a temporary basis, the "Europe against AIDS" programme which expired at the end of 1994.

The Council also concerned itself with more specific questions such as the potential risks of the transmission of BSE to man, the sufficiency of blood supplies and the safety of blood products, and with certain public health requirement aspects to be taken into account, where appropriate, within the general framework of Community policies.



## 16. Environment

After the period of intense activity which followed the Summit in Rio in June 1992, the Council continued to give the international aspect of its action top priority. Particular mention should be made here of the role played by the Community at the 2nd Conference of the Parties to the **Basle Convention on the control of transboundary movements of wastes** which led to the prohibition of exports of hazardous waste from OECD to non-OECD countries. Within the framework created in Rio, the Community took part in the first Conference of the Parties to the **Convention on biological diversity** – which defines the practical conditions for the Convention's implementation – and continues, within the wider context of the Community strategy on climate change, to play a leading role in the preparation of the first Conference of the Parties to the **Framework Convention on climate change** held in early 1995.

Continuing its action to promote environmental protection in the countries of Central and Eastern Europe, the Council defined at a joint meeting with these countries, guidelines as to the objectives and framework for cooperation in this area.

On an internal level, six common positions were submitted to the European Parliament under the cooperation procedure and three ("noise emitted by earth moving machines", "emissions of volatile organic compounds", "packaging and packaging waste") under the co-decision procedure.

Some of the instruments adopted by the Council include the Directive amending Directive 74/409/EC on the protection of wild birds which updates the annexes, the Directive on the control of volatile organic compound emissions resulting from the storage of petrol and its distribution from terminals to service stations, the Regulation on substances that deplete the ozone layer, which combines the provisions of the Regulation in force (594/91) with those corresponding to the second amendment of the Montreal Protocol, the decision adopting a four-year programme (1994-1997) to develop statistics on the environment and a resolution on groundwater protection.

As in 1993, the question of waste occupied an important place in the work of the Council which adopted the Directive on packaging and packaging waste, the Directive on the incineration of hazardous waste and the decision drawing up the list of hazardous waste provided for by Directive 91/689/EEC, and reached agreement on the substance of the Directive on the landfill of waste.

The Council also adopted a common position on the Directive amending Directive 86/662/EEC on the limitation of noise emitted by earthmoving machines which marks a new stage in the reduction of these emissions.



## **17. Consumer protection – Civil protection**

### **Consumer protection**

As with the environment, 1994 will have seen full use being made of the new provisions introduced by the Treaty on European Union with regard both to legal bases and interinstitutional procedures. The Council and the European Parliament adopted, on the basis of Article 129a "Consumer protection", the decision setting up a **Community system of information on home and leisure accidents** extending the EHLASS system for the years 1994-1997. They also adopted, following the conciliation procedure, the **Directive on the protection of purchasers in respect of certain aspects of contracts relating to the purchase of a right to utilize one or more immovable properties on a time-share basis**, which is intended to ensure consumer protection by specifying the information which must appear in these contracts and the detailed arrangements enabling the consumer to withdraw from the contract.

The Council also took part in the consultation process initiated by the Commission's Green Papers on access by consumers to justice and the settlement of consumer disputes in the single market, and on consumer goods guarantees and after-sales service and made progress with the examination of the proposal for a Directive on distance contracts.

### **Civil protection**

The Treaty establishing the European Community provides for the possibility of civil protection measures and envisages a subsequent review of the provisions on civil protection.

The Council therefore felt it would be useful, within the framework of a resolution on **strengthening Community cooperation on civil protection**, to confirm all the current cooperation projects and to outline new channels for this cooperation.





## 18. Common agricultural policy

1994 was the second year of the transitional phase leading to full application of the reform of the CAP decided on in 1992; during the year the main reform measures produced their effects, making it possible to achieve the objectives the Council had set itself. Control of production of arable crops was continued through the application of the set-aside programme (areas under cereals fell for the Union as a whole from 35,26 to 32,10 million hectares between 1992/1993 and 1993/1994, i.e. a 9% reduction); the reduction in official prices offset by an increase in compensatory aid ensured that farmers' incomes were maintained; the higher degree of competitiveness achieved made possible greater recourse to internal production of animal feed – 6 million tonnes more than the previous year; the stable performance of exports and this increased use of internal production for animal feed had favourable effects on the disposal of cereal stocks which, in comparison with the worrying level of 1993, fell considerably in 1994.

Confronted by the current trends in agriculture, the Council set about implementing a policy which, while being consistent with the principles embodied in the reform, introduced improvements and greater flexibility with the aim of providing better protection for the incomes and work of farmers in the Union.

Following the January 1994 meeting given over to the formal adoption of the statutory texts for the implementation of the December agreements (in particular improvements in the set-aside scheme including increased allowances, fixing of the area under oilseeds and distribution of that area between Member States), the Council embarked upon the negotiation of the prices and related measures package for the marketing year 1994/1995; these negotiations continued until July 1994 when the Council reached an agreement.

In July, following intensive negotiations, the Council managed to obtain a qualified majority on an overall package consisting in particular, in relation to the Greek Presidency's previous compromise, of the following points:

- smaller reductions in the monthly increases for cereals, rice and sugar;
- the adoption of aid amounting to 115 ecu/ha for an area of 50 000 ha in France intended for growing durum wheat outside the traditional regions;
- an increase of 20 000 ha for Spain and 5 000 ha for Portugal in the areas under durum wheat;
- the inclusion of Umbria in Italy (up to 5 000 ha) in the list of traditional regions qualifying for aid for durum wheat;
- a new formula for aid for potato starch and for dried fodder which took more account of the interests of producers;

- the abolition of the 1% reduction in milk quotas for all Member States for 1994/1995 and 1995/1996;
- a smaller reduction in the price of butter (1% instead of 3%);
- the acceptance of the Commission's proposals for increases in milk quotas for Spain, Italy and Greece with an undertaking from the Presidency to organize the Council's proceedings in an appropriate framework with a view to reaching a solution rapidly on the issue of the retroactive application of the increase in milk quotas;
- the adoption of a new proposal concerning the grubbing-up of apple trees to be implemented even before the end of 1994 with a premium of 5 000 ecu/ha in the event of the grubbing-up of an entire orchard and 3 500 ecu/ha in other cases;
- a more balanced distribution of regional ceilings concerning rights to premiums for suckler cows.

Fortified with the experience gained in the application of the reform of the CAP over the past two years and with the aim of making it more acceptable to farmers who had always criticized the surfeit of bureaucracy inherent in the setting up of new schemes, the Member States continued their discussions in order to achieve greater **simplification of the rules applicable**.

Following the conclusion of the **Uruguay Round** culminating in the signing of the Final Act setting out the results of the multilateral negotiations on 15 April 1994 in Marrakesh, the Commission submitted to the Council during October 1994 the proposals needed to implement the undertakings given. These proposals contained an agricultural section which was closely examined by the agricultural bodies of the Council and on several occasions by the Agriculture Council itself. A number of adjustments to the current schemes governing the CMO were necessary as well as the adoption of some transitional measures. On this matter the key problem encountered in the preparatory discussions was that of how to allocate powers between the Commission and the Council in the adoption of the measures to be taken to comply with the obligations arising from the Uruguay Round Agreement. The proceedings of the Agriculture Council reached a conclusion on 15 December and on 19 December the General Affairs Council unanimously adopted all the texts concerning the GATT Agreement.

In the **fruit and vegetables** sector, the Commission submitted a communication on the development and future of Community policy in that sector.

In October 1994 the Council held a policy discussion which focused on the priority aspects of the Commission's communication, viz. strengthening the role of the producer organizations, the system of withdrawals and inter-branch arrangements.

Another important deadline to be met was the definition of the **agri-monetary arrangements** to be applied as from 1 January 1995.

In fact Regulation (EEC) No 3813/92, adopted by the Council on 28 December 1992, on the unit of account and the conversion rates to be applied for the purposes of the CAP, stated that the switch-over mechanism would apply "for a period not exceeding two years from the date of entry into force" of that Regulation. Before that period expired, the Commission had to submit to the Council a report together with appropriate proposals so that the Council could decide on future policy in that area.

At the end of November the Commission submitted the report and the proposals concerned to the Council. On that basis the Council decided in December 1994 by a qualified majority on the new agri-monetary arrangements to be applied as from 1 January 1995 (the Danish and United Kingdom delegations voted against and were supported by the Swedish representative). The main points of these arrangements were as follows:

- (a) The neutral margin was maintained at the level of 5 points. It could fluctuate between -2 and +5.
- (b) A reduction in the neutral margin between two currencies could be made, so as to avoid risks of distorting trade flows, by the Commission in accordance with the protective clause procedure laid down in the new Regulation.
- (c) The national compensatory payments laid down by the reform of the common agricultural policy (flat-rate aid determined per hectare or per livestock unit, compensatory premiums per sheep or goat) were not affected by the revaluations.
- (d) In the event of a major revaluation, the Council, acting by a qualified majority on a Commission proposal, would adopt all the necessary measures which, mainly to ensure compliance with the obligations arising from the GATT Agreement and budgetary discipline, could entail derogations from the provisions of that Regulation
  - concerning aid,
  - concerning the amount of the dismantling of monetary gaps;however, such derogations could not result in the neutral margin being extended.
- (e) The monetary gap of the Austrian schilling was fixed, at the time of accession, on the basis of the monetary gap of the Deutsche Mark.
- (f) The regions in Objective 6 were to be treated in the same way as those coming under Objective 1.

As regards structures, the Council, in connection with the reform of the CAP, approved changes to the measures for speeding up the adjustment of the **production, processing and marketing structures**. This adjustment was needed to take account in particular of current developments in the conditions for pursuing farming, following the reform of the CAP and certain special situations.

On various occasions the Council examined the Commission's proposal for the **protection of animals in transport**, which had major repercussions on public opinion, but failed to bring this contentious matter to a close. A decision was finally taken in 1995.

With regard to the harmonization of laws concerning **the plant health sector**, the Council adopted the Directive adopting uniform principles for evaluation and authorization of plant protection products by Member States in accordance with the rules laid down by Directive 91/414 concerning the placing of plant protection products on the market.

When making these evaluations and giving these authorizations, Member States will have to comply with certain requirements, notably as regards the protection of man, animals and the environment.

In connection with the Community protection of **plant variety rights**, the Council agreed in June 1994 on the entire Regulation, examination of the agricultural aspect of which, involving "farmer's privilege", had already been completed in 1993.

## 19. Common fisheries policy

In fisheries, the year was dominated by the issues, which were politically linked, of the full integration of the Iberian fleets into the CFP as from 1996 and the negotiations for the accession of Norway, Sweden and Finland to the European Union. To that end the Council, when completing the accession negotiations, declared (and subsequently formally confirmed) that the measures relating to the conditions of access to waters and resources referred to in the Act of Accession of Spain and Portugal and applicable to all Community vessels would be adopted before 1 January 1995. This commitment was fulfilled with the agreement reached after extensive negotiations by the Council during its meeting on 19 to 22 December 1994.

This integration, virtually completed in the case of the acceding States, and to be completed in the case of Spain and Portugal, is being implemented with full respect for the Community acquis, in particular the principle of relative stability of fishing activities, and, given the current state of many major stocks, that of no increase in present levels of fishing effort.

The Council also adopted a Regulation harmonizing certain technical conservation measures in the Mediterranean as a first step towards establishing a common policy for the conservation and management of fisheries resources in that area, taking into account Member States' national regulations already in force (thus far Community conservation policy had been applied in particular to the Atlantic Ocean, the North Sea and the Baltic). This initiative is to be followed before the end of the year by an international Conference, organized by the Commission and hosted by the Greek Government, to which the riparian States of the Mediterranean have been invited, with a view to covering the wider aspects of fisheries conservation and management in the Mediterranean.

The Community's concern with fisheries conservation is illustrated by the ongoing debate in the Council on the Commission's proposals to ban within four years the use of driftnets by the Community fleet. Scientific advice is being urgently gathered on the impact of driftnetting on target species, especially tuna, and on by-catches of marine mammals and birds, as well as on the regional aspects of fisheries in such areas as the Bay of Biscay, the Mediterranean and the Baltic, to enable the Council to reach decisions as soon as possible.

The Community's external fisheries relations continued to undergo active development, with the negotiation inter alia of a new Fisheries Protocol with Greenland, steps towards implementation of the Agreement with Argentina (the relations with these two countries provide for certain "second generation" elements of cooperation through joint ventures and joint enterprises of operators), and arrangements for the updating of the current relations with Morocco by way of a new Agreement to enter into force next year.

As far as its internal policy is concerned, apart from the normal management of the various facets of the Common Fisheries Policy, the Community devoted much attention to the continuing market crisis, especially in respect of whitefish. The Council concluded that cooperative efforts need to be undertaken at the level of the Union, the Member States and the industry to re-establish the competitiveness of the whole sector in relation to the world market and, by so doing, improve the functioning of the Community market itself. Particular stress should be laid on conservation of stocks, the adaptation of capacity to resources, strengthening of producer organizations and the promotion of quality standards. Recent legislation on amending the common organization of the market is designed to this end.

Finally, it is worth noting that, in the area of control policy, the Community system of licences giving basic information about fishing vessels has been reinforced by a framework Regulation providing for special fishing permits for Community vessels, to be administered at national level, and for third country vessels fishing in Community waters.

The Council also adopted in December 1994 the annual package of TACs and quotas and related Regulations.

## **20. External economic relations**

### **European Economic Area**

The entry into force on 1 January of the Agreement on the European Economic Area (EEA) ushered in a qualitatively different period in the relations between the European Union and its Member States and Austria, Finland, Iceland, Norway and Sweden. The aim of the Agreement is to create a dynamic and homogenous economic area from among the contracting parties, based on common rules and equal terms of competition and equipped with the means, including judicial means, necessary for its implementation; it is based on equality, reciprocity and an overall balance of benefits, rights and obligations.

The European Economic Area has been provided with institutions responsible for maintaining its dynamism and homogeneity. They are the EEA Council (the EEA's highest political body), the EEA Joint Committee (the decision-taking body responsible in particular for ensuring the homogenous development of legislation throughout the EEA), the EEA Joint Parliamentary Committee (the parliamentary body responsible for promoting better understanding between the Community and the EFTA States, through dialogue and debate), and the EEA Consultative Committee (the body that will provide the representatives of the social and economic partners with a structured framework for cooperation). These institutions met on a number of occasions in 1994 and performed their tasks effectively.

The creation of the EEA undoubtedly represented an important step in the long process of rapprochement between the EFTA States which are contracting parties to the EEA Agreement, and the European Union. However, for Austria, Finland and Sweden, it was destined to be only a momentary step on their way towards full integration into the European Union as full Member States on 1 January 1995.

The EEA Council accordingly applied itself, at its meeting on 20 December, to the question of the operation and evolution of the EEA following the accession of Austria, Finland and Sweden to the European Union. In that connection the EEA Council also examined the question of the entry into force of the EEA Agreement for the Principality of Liechtenstein. The amendments that Liechtenstein and Switzerland agreed to make to their customs treaty will ensure that the smooth functioning of the EEA Agreement is not hindered by the regional union between those two countries. After giving its political agreement to the adjustments to be made to the Protocols and Annexes to the EEA Agreement, for the purpose of its application to Liechtenstein, the EEA Council set 1 May 1995 as the date of entry into force of the EEA Agreement for Liechtenstein.

### **Switzerland**

In response to Switzerland's request for cooperation to continue on a bilateral basis for the moment, leaving open the options of participation in the EEA and accession to the



European Union, the Council reiterated its willingness to negotiate new sectoral agreements with Switzerland and described in greater detail the approach it intended to apply, which would take into account the result of the referendum on Alpine transit held in Switzerland in February 1994.

At its meeting on 31 October 1994 the Council thus agreed to the opening of sectoral negotiations with Switzerland in the fields of free movement of persons, research and technological development, agriculture, mutual recognition in relation to conformity assessment and access to public procurement. For transport, the Council's aim was to adopt a negotiating brief in March 1995. The Council also said that the Community's objective must be to secure a balance of mutual advantage within each sectoral agreement and between the various agreements, and that it intended to make sure that, where necessary, there was an appropriate parallelism between the various sectoral agreements concerned.

### **Malta and Cyprus**

With regard to Malta and Cyprus, the Commission, in accordance with the Council's conclusions of 4 December 1993, conducted substantive discussions with the Cypriot Government to help it to prepare for the accession negotiations under the best possible conditions, and opened an in-depth dialogue with the Maltese Government in order to define by common agreement the content and timetable for the priority reforms to be implemented by Malta. Negotiations were also opened with these two countries for the conclusion of a fourth Financial Protocol, intended among other things to support the efforts they were making towards their integration into the European Union. As a result, the Corfu European Council was able to state that, given these conditions, the next enlargement of the European Union would include Cyprus and Malta. That conclusion was confirmed by the European Council in Essen.

### **Central and Eastern Europe**

The European Council held in Copenhagen in 1993 opened up the prospect of accession for the countries of Central and Eastern Europe that were linked to the Union by **Europe Association Agreements** (Hungary, Poland, Czech Republic, Slovakia, Romania, Bulgaria). 1994 constituted a further very important step, which brought a qualitative change to relations with these countries, of which Hungary and Poland formally applied for accession to the Union.

The European Council decided to inject the pre-accession process with fresh impetus and qualitative improvements, and to that end adopted the strategy to be followed in preparing the way for the associated countries of Central and Eastern Europe towards accession. The European Council indicated that the institutional conditions essential for the proper functioning of the Union would have to be defined at the 1996

Intergovernmental Conference, which would therefore have to take place before the start of accession negotiations. The Council also wanted the Commission to prepare a detailed analysis of the impact of enlargement in the context of the current policies of the Union and their development.

The key element of the strategy to narrow the gap is the preparation of the associated countries for integration into the Union's internal market. With that in mind, the European Council asked the Commission to prepare a White Paper in time for its next meeting, providing the associated countries with a step-by-step plan setting out priorities and the measures necessary for participation in the single market.

Preparation for the internal market is to be backed up by a variety of measures to assist integration through the development of infrastructure and cooperation, mainly in fields with a pan-European dimension (including energy, environment, transport, science and technology, etc.), and in those of the common foreign and security policy and justice and home affairs. The **PHARE programme** which, appropriately funded within a multiannual financial framework in accordance with the preparatory strategy agreed on, will provide financial support for that purpose. Measures are also envisaged to improve the trade situation. Lastly, a programme has been set up to encourage cooperation between the associated countries in order to stimulate economic development and good neighbourliness and, in the same spirit, to contribute to the realization of the objectives of the Stability Pact.

The strategy adopted by the European Council is implemented at political level through the "structured relations" established between the associated States and the institutions of the European Union, which will encourage mutual trust and provide a framework for addressing topics of common interest.

Regarding the **Baltic States**, the signing on 18 July of three free trade agreements to enter into force on 1 January 1995 was also consistent with this policy of preparation for accession, the next stage of which will be the conclusion of Europe Association Agreements for which negotiating directives were adopted by the Council in November.

In relations with Slovenia, there are also plans for a Europe Association Agreement to be concluded, the negotiating directives for which are being finalized by the Council.

The strategy of preparation for accession will be extended to these countries once the Europe Association Agreements have been signed.

Lastly, mention should be made of the Union's continued efforts of assistance to the countries of Central and Eastern Europe, particularly under the PHARE programme and in the form of macro-financial assistance which the Council decided to grant to Romania, Bulgaria and Slovakia.

## **Republics of the former USSR**

The intensification of contacts with the countries of Central and Eastern Europe, including the Baltic States, and the prospects for their future accession, have led the Union to establish close partnership relationships with **Russia** and with the **other republics of the former USSR**, involving complementary policies which contribute to stability, prosperity and peace in Europe.

The conclusion of partnership and cooperation agreements constitutes a central element of the support which the Union has brought to the process of reform under way in the former USSR.

Three **partnership and cooperation agreements** have already been signed: with Ukraine and with Russia in June and with Moldavia in November. The negotiations with Kazakhstan, Kyrgyzstan and Belarus have been finalized and the agreements are due to be signed shortly.

These agreements are based on respect for human rights and democratic principles and establish the framework for close cooperation in the political, commercial, economic and cultural fields. They are also aimed at integrating the newly independent States into the world economic system. In the case of Russia and the other republics geographically closer to the Union (Belarus, Ukraine, Moldova), when the conditions have been met there could be negotiations for the establishment of free trade areas. Pending the accomplishment of the procedures for ratification of the partnership agreements by the national parliaments, interim agreements will enable the commercial aspects of the partnership agreements to be implemented forthwith.

For the other republics, the differential approach adopted by the Council is based on the following guidelines:

- in view of the encouraging developments in the political situation in the Caucasian republics (Georgia, Armenia, Azerbaijan), and particularly the ceasefire between Armenia and Azerbaijan, the Council deemed it timely to recommence contacts in the Joint Committees (established by the 1989 EC/USSR agreement) with a view to the possibility of strengthened contractual relations;
- similar contacts are planned with Turkmenistan and Uzbekistan, in the context of which the Union will pay particular attention to the human rights situation;
- because of the current instability in Tajikistan, there are no plans at present for establishing institutionalized cooperation relations.

With regard to assistance, the contribution of the Community and its Member States represents two-thirds of the total international amount to the Newly Independent States of the former USSR. In this connection special mention should be made of the TACIS programme, the macro-financial assistance decided on for Moldova and Ukraine, and the large-scale food aid operation for certain republics (Caucasian republics, Tajikistan, Kyrgyzstan and Moldavia).

In accordance with the instructions of the European Council in Corfu, the Council established a global strategy for the Union with regard to **Ukraine**. It adopted a common position of the European Union regarding objectives and priorities in respect of Ukraine, under the Common Foreign and Security Policy (CFSP). The main objectives were to establish stronger political relations with Ukraine, to encourage it to pursue vigorously democratic and economic reform and to undertake constructive cooperation in implementing the European Union and G7's action plan on nuclear safety.

On the latter point, the European Council in Corfu particularly emphasized the need for the Chernobyl nuclear power station to be closed down as soon as possible.

On the basis of the Corfu conclusions, the representatives of the Union introduced an initiative at the G7 Summit in Naples (8 and 9 July 1994) which, recognizing the urgency attached to this question, established a plan which was presented to the Ukrainian authorities in the autumn. Under this plan, the closure of Chernobyl would be accompanied by finalization of the construction of three new reactors according to adequate safety standards and a comprehensive reform of the energy sector in Ukraine comprising, inter alia, energy conservation measures and the use of alternative sources.

## **Turkey**

A significant feature of relations with Turkey were the preparations for the customs union provided for in the 1964 Association Agreement and the 1973 Additional Protocol.

The Essen Council confirmed the great importance it attached to conclusion of the negotiations with Turkey on the completion and full implementation of the customs union as well as to the strengthening of relations with Turkey.

The 35th meeting at ministerial level of the EC-Turkey Association Council, held in Brussels on 19 December 1994, provided an opportunity to review association relations with Turkey and to hold a useful exchange of views on political matters of common interest. At the end of the meeting it was noted that work remained to be done if the common objective of entering the final stage of customs union by the scheduled date of 1 January 1996 was to be attained, and that the French Presidency accordingly intended to hold the next Association Council meeting simultaneously with the meeting of the Council of Ministers of the European Union on 6 and 7 March 1995.

## **Mediterranean, Middle East, Persian Gulf**

The European Council in Corfu confirmed the importance it attached to the close links already existing with the Mediterranean partners and its wish to develop them still further, so that the Mediterranean area could become an area of cooperation guaranteeing peace, security, stability and well-being.

Against that background the Union's **Mediterranean policy** took a qualitative leap in 1994, based on the idea of paying special attention to the partnership relationships.

A process for the negotiation of a new generation of agreements was instituted, in order to replace the more limited agreements concluded in 1975-76-77 in the framework of the overall Mediterranean approach. Negotiations were begun with Israel, Tunisia and Morocco. Negotiating directives were adopted for Egypt and similar negotiations with Jordan were envisaged. Syria and Lebanon are also eligible for such agreements. As soon as the situation permits, a similar agreement can be negotiated with Algeria.

Also, in response to the conclusions of the European Council in Corfu, the Council received a communication, at the end of October 1994, on the enhancement of the European Union's Mediterranean policy through the establishment of a Euro-Mediterranean partnership.

On that basis, the Council adopted a report setting out the objectives for a future European Union Mediterranean policy: creation of a Euro-Mediterranean area of political stability and security, creation of a Euro-Mediterranean economic area through the establishment of a free trade area and increased financial assistance backed up by appropriate cooperation.

The European Council in Essen welcomed that report, the conclusions of which it adopted: in particular, it endorsed the idea of a Euro-Mediterranean ministerial Conference of all the Mediterranean countries concerned to be held in the second half of 1995. That Conference should reach agreement on a series of economic and political guidelines for Euro-Mediterranean cooperation into the 21st century, and establish a permanent, regular dialogue on all topics of common interest.

More specifically, Cooperation Council meetings took place with Algeria (7 February 1994), Egypt (16 May 1994), Israel (13 June 1994) and Syria (28 November 1994). In the case of Syria, it was the first meeting of the Cooperation Council since the conclusion of the Agreement in 1978.

In the framework of the **Middle East peace process**, the Union gave its support to the considerable progress made in the negotiations between Israel and the PLO by immediately increasing its aid by ECU 500 million for the development of the Occupied Territories for the period 1994-1998. The Union also supported the development of the countries of the region in the framework of the substantial aid provided for the whole of the Mediterranean area under the Union's new policy for the Mediterranean countries, which amounts to ECU 4,5 billion for the period 1992-1996. Certain Member States were invited to contribute to the Temporary International Presence in Hebron. For its part, the Council adopted a joint action in support of the Middle East peace process.

In the case of the former Yugoslavia, the Council decided at its meeting on 7 March to extend until 30 September 1994 the joint action of support for the provision of humanitarian aid in Bosnia-Herzegovina. It also agreed that, in view of developments in the situation since the action was adopted in 1993, priority needs on the ground to aid the victims of the war there to the greatest possible extent should be reappraised without delay.

At its meeting on 10 October the Council also adopted, in accordance with the United Nations resolution:

- a Council Regulation introducing a further discontinuation of the economic and financial relations between the European Community and the areas of Bosnia-Herzegovina under the control of Bosnian Serb forces;
- a Council Regulation suspending certain elements of the embargo on the Federal Republic of Yugoslavia (Serbia and Montenegro).

## **Relations with the ACP States and Southern Africa – development policy**

### ***Relations with the ACP States***

The implementation of ACP-EEC cooperation, which establishes special partnership links between the Union and 70 African, Caribbean and Pacific States (Lomé Convention), occupied the Council on a number of occasions. In February, the Council adopted the negotiating directives for the mid-term review of the fourth ACP-EEC Convention for a second five-year period (1995 to 2000). The object of the review is to adjust the Convention to recent developments in the political and international economic fields and to improve its effectiveness in the light of the problems encountered during the first five years of its application. The negotiations between the Community and the ACP States opened in Mbabane (Swaziland) on 20 May. They were concluded in the first six months of 1995.

The Union actively contributed in seeking solutions to the crises which seriously affected a number of ACP States. Thus, following the adoption of resolutions by the United Nations Security Council, it adopted, in May, a series of decisions to strengthen the embargo on Haiti. Those restrictions were lifted in October, following the return of President Aristide to Haiti. On a number of occasions the Union made statements on the particularly disturbing situation in Rwanda. In a statement in October, it defined its objectives and priorities in respect of Rwanda, called for the return of refugees and announced its willingness to play an active part in the reconstruction of the country.

### ***Southern Africa***

Aware of the considerable effort involved in the organization of the first democratic and multi-racial elections in South Africa, the European Union undertook a series of measures to accompany developments in the situation in Southern Africa. South Africa therefore benefited from measures to support transition, the lifting of sanctions in May 1994, and

the granting of the system of generalized preferences in August; in October the Union approved a draft framework cooperation agreement with South Africa. Reinforced cooperation between the Union and the countries of Southern Africa meeting within the SADC (South African Development Cooperation) was put in hand following the ministerial conference held in Berlin in September.

### ***Development policy***

The Development Council continued its work adjusting the Community development policy in line with the objectives and priorities laid down in the Treaty on European Union. The Treaty focuses the Community strategy on developing and consolidating democracy, sustainable economic and social development, particularly in the more disadvantaged of the developing countries, the campaign against poverty and the gradual integration of the developing countries into the world economy.

With the aim of increasing the effectiveness of this policy the Council, further to its statement on development cooperation in the run-up to 2000, adopted conclusions and resolutions on strengthened coordination of the policies of the Community and its Member States in the priority areas of food security, education and training and health and AIDS.

### ***System of Generalized Preferences***

The Council adopted a new generalized preferences scheme for industrial products in a regulation covering a four-year period (1995-1998). The current arrangements for agricultural products have for the most part been extended for 1995 and they will be reviewed in 1995.

### ***Commodities***

Negotiations for the conclusion of new international agreements on coffee and natural rubber continued throughout the year.

The 1993 international agreement on cocoa was signed by the Community and most of its Member States on 16 February 1994 and entered into force provisionally on 22 February 1994.

The 1994 international agreement on coffee was signed by the Community and most of its Member States on 19 September 1994 and entered into force provisionally on 1 October 1994.

The question of Community participation in the international agreement on tropical timber, adopted at the fourth session of the United Nations Conference on 26 January 1994, was discussed during 1994.

## **Relations with Asia**

The huge changes that have taken place in the last few decades, both in Asia and in Europe, require a more active and resolute policy of the European Union toward the countries of Asia, and a new partnership must be developed to give shape to future relations between the Union and the countries of Asia.

In this spirit, the European Union continued to develop and improve its bilateral contractual relations with most of those countries.

The third generation cooperation agreement with India entered into force on 1 August and a similar agreement with Sri Lanka was signed on 15 July. Negotiations were opened with Vietnam and Nepal.

The eleventh EU/ASEAN meeting at ministerial level was held in Karlsruhe on 22 and 23 September, enabling both sides to carry out a comprehensive review of economic, political and security matters. The conclusions published following the meeting provide a solid basis on which the Union can develop and intensify cooperation with this important group of countries. In this connection, an informal ad hoc group of Eminent Persons to promote EU-ASEAN relations was set up.

Prior to that meeting, the European Union participated, as usual, in the ASEAN post-ministerial meeting held in Bangkok on 26 and 27 July and in the first meeting of the ARF (ASEAN Regional Forum).

More generally, and on the basis of a Commission communication, the Council of Ministers of the European Union prepared a report on the future strategy for Asia. In the light of that report, the European Council in Essen particularly emphasized the economic and political significance of the States of the Asia-Pacific region and confirmed that the European Union and its Member States intended to strengthen cooperation and dialogue at all levels with these countries and the regional organizations of the Asia-Pacific region, particularly ASEAN. The European Council also asked the Council and the Commission to report to it as soon as possible on practical measures taken to implement this strategy.

## **Relations with Latin America**

The progress made by the countries of Latin America in the fields of democracy and human rights, peace and disarmament, economic reform and regional integration led the European Council in Corfu to reaffirm the importance it attached to relations with these countries and their regional groupings.



In the light of that European Council's conclusions, the European Union defined general guidelines for the implementation of a new partnership between the two regions and, more specifically, began working out approaches that might intensify and strengthen its relations with **MERCOSUR**, Mexico and Chile in particular. For that purpose the European Council in Essen asked the Council and the Commission to commence negotiations with Mercosur on an inter-regional framework agreement and to give form to its ideas on the future form of treaty relations with Mexico and the extension of relations with Chile without delay.

In Brussels on 22 December, the representatives of the Council and the Commission and of the member countries of Mercosur signed a joint solemn declaration setting out the main features of a strategy for treaty relations.

In relations with the **Rio Group**, in adopting the São Paulo Declaration at the ministerial Conference held on 22 and 23 April 1994, both parties agreed to commence joint measures – within the UN in particular – on the basis of common values and principles and through the intermediary of a structured, reinforced dialogue.

With its partners in **Central America**, at the ministerial Conference held in Athens on 28 and 29 March the European Union was able to review the achievements of a decade of cooperation which had decisively supported the moves towards peace, economic modernization and democratic stabilization in the region.

## **Uruguay Round**

In the field of international economic relations, the signing in Marrakech (Morocco) on 15 April of the agreements embodying the results of the Uruguay Round of multilateral negotiations constituted a decisive moment in the economic history of the modern world. In the view of the European Union and its partners, this historic event is of immense political and economic significance. In political terms, the agreements, by establishing a series of reciprocal rights and obligations, represent a genuine collective contract the aim of which is to develop world trade through ever-closer multilateral cooperation. In economic terms, the opening up of markets, the thorough reform of the multilateral trade system with strengthened rules and regulations and the extension of the scope of multilateral activities to fields of the future such as services and intellectual property should invest the world economy with dynamism and a lasting stimulus. These achievements should thus constitute a fresh framework which responds to the globalization and interdependence of changing economies. The coherence of the system will be ensured by the setting up of the new World Trade Organization (WTO), which will ensure that undertakings are complied with, will cooperate more closely with the international organizations set up following Bretton Woods, and will constitute the forum for subsequent negotiations to adapt the trade system at regular intervals to changing economic realities and to take on board new subjects.

In order to give a fresh stimulus to the economic recovery, and in accordance with the undertakings given by the European Council in Corfu in June 1994 and in Essen on 9 and 10 December 1994, the Community institutions and the Member States took the

necessary steps to complete in time the procedures for ratification of the results of the Uruguay Round and for adoption of national implementing legislation so that, as provided for at the WTO Implementation Conference in Geneva on 8 December, they could enter into force on 1 January 1995. After receiving the Opinions of the European Parliament and the Economic and Social Committee, the General Affairs Council on 19 and 20 December approved an overall political package on the conclusion and implementation of the Uruguay Round agreements. Those texts were formally adopted by the Council on 22 December and the Community and its Member States deposited their instruments of ratification with the Director-General of GATT in Geneva on 30 December.

### **Export controls on dual-use goods**

Legislation on the control of exports of dual-use goods (i.e. goods which normally have a civilian use but which could also be used for manufacturing arms) was adopted by the Council on 19 December and will apply from 1 March 1995. It comprises a Regulation based on Article 113 of the EC Treaty and a joint action under Article J.3 of the Treaty on European Union. The two legal acts are therefore distinct but linked by cross-reference and together constitute an integrated system.

In this legislation, the Council considers it has succeeded in reconciling two objectives of equal importance, namely:

- one, to help combat the proliferation of weapons, through the introduction of a common system of controls on exports of dual-use goods to third countries;
- two, to prevent the efforts to stop proliferation becoming barriers to the liberalization of trade within the Community market. Certain forms of control will continue for some time, particularly for a small number of especially sensitive products, but they will not involve systematic controls at intra-Community borders.

The introduction of this system of controls on trade in dual-use goods was a particularly complex task as, until now, controls were carried out by the Member States on the basis of national legislation which differed from one country to another, and there was not even an internationally-agreed list of dual-use goods. As a result, the legislation adopted by the Council is only a first step and in future it will probably need to be reviewed and possibly amended in the light of experience.



## 21. Common Foreign and Security Policy (CFSP)

1994 was the first full year of operation of the European Union's foreign policy. In terms of *organization*, first of all, the operating structures of the CFSP are now well in place: like the European Commission one year before, the Council General Secretariat acquired at the beginning of 1994 the necessary structures and resources for its part in the policy's implementation, including the merger of certain working parties; in addition, the arrangements for relations between the European Union Institutions and the Western European Union (WEU) were formalized. In terms of *activities*, nine joint actions were decided on (supplementing or extending the first four that began during the last quarter of 1993, when the Treaty came into force) and nine common positions were adopted. The geographical scope and the subject matter of these joint actions and common positions reflect the priority given by the European Union to its neighbours, with reference to such matters as the Stability Pact in Europe, the peace process in the Middle East, Libya, the former Yugoslavia or Russia. In addition, the EU seeks to make a timely contribution either in other regions of the world, such as Africa in particular, or by way of a shared concern on the part of the international community in connection with, for example, preparations for the conference on the revision of the NPT in 1995.

To complete this overview, we should add the recommendations and "guidelines on the *functioning of the CFSP*": these were approved by the Council in July 1994 and supplemented by the Political Committee meeting on 5 and 6 September. Their aim is to improve the procedures and rules concerning the CFSP's day-to-day operation. At the same time, the principles and conclusions worked out by the Council in February, March, April and June 1994 with regard to the "*financing of the CFSP*" sought primarily to establish the relevant practical arrangements.

Faced with the ongoing tragedy of the former Yugoslavia, the EU continued to be in the forefront in promoting peace and in relieving, for the time being, the suffering of the civilian population.

The EU began by reiterating its condemnations of the constant spread of violence and the repeated infringement of international humanitarian laws. It steadfastly maintained that the conflict had to be resolved by negotiation and not by force. Under the action plan which it approved in November 1993, establishing the framework for a political solution, the EU continued to work towards a settlement, this commitment being reflected in concrete terms by five joint-action decisions and three common-position decisions.

As a result, the EU brought about an increased diplomatic commitment on the part of the international community, involving not only the United Nations but also the United States and the Russian Federation, with the aim of achieving some convergence between their initiatives. On 6 July the international contact group submitted to the parties a proposal based very largely on the EU's action plan for a peaceful solution to the crisis in Bosnia-Herzegovina. Following the acceptance of this "peace plan" by the

Croat-Bosnian Federation and the Federal Republic of Yugoslavia (Serbia and Montenegro), the EU invited the Bosnian Serbs to accept the plan as well. Their refusal to do so led it to support the adoption by the UN Security Council of a Resolution reinforcing the sanctions against the Bosnian Serbs and authorizing the suspension of a number of sanctions imposed on the Federal Republic of Yugoslavia subject to its continuing to close its border with Bosnia-Herzegovina.

In another practical contribution to the quest for a political solution, the EU decided to take on the administration of Mostar for two years. Under the Agreement Protocol signed on 3 July, Mr Hans Koschnik, the former mayor of Bremen, took up his post as Administrator on 23 July, and the policing arrangements provided by the WEU began to be gradually put in place. The EU's aim is to restore cooperation between the communities in Mostar and to provide a model for the rest of Bosnia-Herzegovina. Living conditions in the town have already improved considerably.

**The countries of Central and Eastern Europe and the new States of the CIS**, including those of **Central Asia**, continued – with varying degrees of success – their efforts to democratize their political institutions and introduce economic and social reforms.

The EU remains especially attentive to the particular situation of **Ukraine**, both from the strategic point of view – notably as regards nuclear safety – and on the political and socio-economic level. The Council adopted a "common position" – within the meaning of Article J.2 of the Treaty on European Union (TEU) – setting out the European Union's foreign-policy aims and priorities towards Ukraine.

1994 was a key year in the implementation of the conclusions of the Copenhagen European Council (June 1993) concerning the *countries of Central and Eastern Europe* which had concluded "Europe Agreements" with the Union. This was the basis on which the EU intensified its multilateral dialogue with those countries: on 7 March the General Affairs Council adopted conclusions offering these countries the possibility of being involved in certain EU initiatives – such as joint actions – vis-à-vis third countries. On the basis of a report by the Council setting out a strategy on accession preparation and cooperation (28 November), the Essen European Council confirmed the Copenhagen and Corfu conclusions and discussed in detail the process of approximating laws which had been started.

As part of the political dialogue established with the signing of trade and cooperation agreements in 1992, the EU held several meetings with the **Baltic States**.

Reaffirming the link between continued economic assistance to **Albania** and the political and economic reforms undertaken by that country, the Council decided on 28 November to make available to Albania a first instalment of ECU 15 million in macro-economic aid.

With regard to **Southern Europe**, the European Councils in Corfu (24 and 25 June) and Essen (9 and 10 December) welcomed the progress made in preparing *Malta and Cyprus* for accession, and confirmed that "the next phase of enlargement of the Union will involve Cyprus and Malta".

In the **Middle East**, there were three spectacular new developments in the peace process:

- the Cairo agreements (4 May) between Israel and the PLO on the autonomy of the Gaza Strip and Jericho, which marked an important step towards the full implementation of the Declaration of Principles signed the previous year in Washington (13 September 1993);
- the setting up of the Palestinian Authority on 7 July;
- the signing of a peace treaty between Israel and Jordan on 26 October, which marked a further step towards the establishment of a "just and lasting peace throughout the Middle East".

The EU did not confine itself to simply welcoming each of these steps. Through the active, constructive and balanced role which it has played since the beginning of the peace process, especially the political and material support it provides on a continuous basis, the EU has made a clear commitment to helping the process succeed, both in overall terms and at each of its stages.

Firstly, under the CFSP, the EU adopted (19 April) a "joint action" in support of the peace process. This provides for the EU's political, economic and financial resources to be mobilized to promote and consolidate peace in the region.

At the same time, the EU continues to be the principal donor in the Occupied Territories, including finance for the starting up and operation of the Palestinian Authority (in particular the Palestinian police force).

The EU chairs the Regional Economic Development Working Group (REDWG) in connection with the multilateral aspect of the process. At its meeting in Rabat on 15 and 16 June the Working Group agreed to set up the REDWG Monitoring Group to encourage the regional parties themselves to take greater responsibility for regional economic development. The EU has also played an active part in the proceedings of the four other working groups (Water, Environment, Refugees, and Arms Control and Regional Security) and also the steering committee which oversees all the work done on the multilateral aspect.

Faced with the uneven situation in the Gulf, the EU is pressing ahead with an overall policy to promote stability, involving specifically adapted bilateral relationships.

With *Iran* the EU is maintaining its policy of critical dialogue as defined at the Edinburgh European Council (11 and 12 December 1992). The EU recognizes Iran's importance in the region, and seeks with this dialogue to encourage it to play a constructive, or at least positive role, especially with regard to the Middle East peace process. The second purpose of the dialogue is to address together with Iran the problems that are giving rise to concern: Iran's attitude to human rights, especially in the case of Salman Rushdie; terrorism; Iran's arms-purchasing policy, and the forms of nuclear cooperation which the country is developing.

The EU voiced its concern at the civil war in Yemen. Since the end of that war, it has urged the Yemeni authorities to engage in a political dialogue and to honour the undertakings they gave the UN Secretary-General.

Relations with *the Gulf Cooperation Council (GCC)* are developing along the lines of ever broader cooperation. This was confirmed by the fifth meeting of the Joint Cooperation Council and the Ministerial meeting in Riyadh on 8 May. These two meetings were an opportunity to strengthen cooperation on the political level (especially with regard to the Middle East peace process and to the non-proliferation of arms of mass destruction) and the economic level (with a view to free trade) with an important partner of the EU.

As in previous years, the attitudes expressed by *Iraq* and *Libya* continue to arouse the greatest vigilance where these countries are concerned. The EU expressed its concern at Iraqi troop movements near the Kuwait border in September. It remains committed to full implementation of the Security Council resolutions on *Iraq* as a precondition for the lifting of sanctions. Likewise, the EU has expressed similar expectations and demands in regard to *Libya*.

The EU is endeavouring to put into practice the guidelines issued by the Copenhagen European Council (June 1993) concerning the countries of *sub-Saharan Africa*. Political cooperation involves growing support for the process of democratization undertaken in these various countries. The principles of such support were developed during the course of 1994. In essence they concern: promotion of the rule of law and methods of good governance; peaceful resolution of conflicts and – in line with the Council's Resolution of 28 November 1991 – drawing African Governments' attention to the links between respect for human rights, democracy and development. With reference to the conference on the mid-term review of the Fourth Lomé Convention, the Essen European Council confirmed the priority given by the EU to its relations with the ACP States.

The new situation in *South Africa* has enabled that country to reintegrate its immediate regional environment, i.e. *southern Africa* and its regional cooperation structures as constituted by the *Southern African Development Co-ordination Conference (SADCC)*. The EU-Southern Africa Ministerial Conference in Berlin (5 and 6 September) gave a dual impetus to this regional process on the one hand, and to more extensive cooperation between the EU and the SADCC on the other.

The EU welcomed a series of positive developments – to which it had given its support – towards democratization and the peaceful resolution of conflicts: the normalization of relations between *Ethiopia and Eritrea*; the success of the electoral processes in *Malawi, Guinea-Bissau, Sao Tomé and Príncipe, Togo, and also Mozambique*.

But there was a different situation in a number of African countries undergoing serious, mostly internal crises, such as *Sudan, Somalia, Sierra Leone, Liberia, Nigeria, Gambia, Zaire and Angola*. Under its policy of preventive diplomacy, the EU made targeted contributions geared to each particular situation and involving substantial humanitarian aid plus, where appropriate, determined support for the efforts of international organizations, and in the first instance the UN.

In response to the genocide in *Rwanda*, the Corfu European Council (25 and 26 June) not only expressed its abhorrence but also demanded that those responsible be brought to justice. Referring to the Arusha agreement (1993) between the parties involved, the EU called on them peacefully to seek new political solutions. The EU also made a direct contribution with the common position, adopted by the Council on 24 October, concerning the achievement of the conditions whereby displaced persons within the country and refugees in the neighbouring countries could return home. At the same time, and in view of a certain similarity of circumstances, the Council drew attention to the delicate situation in *Burundi*. It emphasized the longer-term need to reinforce Africa's own capacities for preventing and resolving conflicts, especially the capacities that could be mobilized by the OAU.

The EU is reviewing its relations with *Asia*, in particular on the basis of Commission proposals (13 July) for a new European strategy towards Asia. The EU believes that the growing importance of certain Asian countries and regional groupings on the world stage calls for an overall study of the aims and means of a European presence in Asia.

The intensification of cooperation with *ASEAN* is a significant example of the need for such reconsideration, given that security matters are addressed within it. At the first Asean Regional Forum (ARF), which was held in Bangkok (25 to 27 July) to consider regional security in Asia, the EU proposed the idea of exchanges of information and the establishment of a dialogue in the context of preventive diplomacy.

On two occasions the case of *Indonesia*, a member of ASEAN, raised the question of the actual degree of democratization achieved by the country: firstly, the fresh cases of arbitrary arrest and of censorship; secondly, there was the question of *East Timor*, when the EU supported the bilateral negotiations between Portugal and Indonesia under the aegis of the United Nations, and condemned the incidents at Dili (18 July).

On a global level, the EU continued to give active support to the efforts at openness and democratization currently being made. It encouraged the resumption of the dialogue between *India and Pakistan* on the question of *Kashmir* and invited those two countries



to commit themselves resolutely to achieving greater transparency. While the overall picture of the countries of *South East Asia* is relatively encouraging, the situation as regards human rights and democracy is still a cause of concern in *Myanmar*, despite some limited attempts at compromise on the part of the ruling SLORC. The EU has also been worried by the fundamentalist unrest surrounding the case of the writer Talisma Nasrin in *Bangladesh*.

*China* too has given the EU cause for concern owing to the new wave of arrests of dissidents and the treatment being meted out to ethnic minorities. Now that the basis has been laid for an institutionalized political dialogue with Peking, the EU should be able to address these problems too with its Chinese partner.

The EU monitored very closely the situation in *the Korean peninsula*. It strongly condemned the equivocation shown by Pyong Yang over the nuclear issue and called for the undertakings to the IAEA to be honoured unconditionally.

In *Latin America* most countries continued consolidating democracy and making progress in achieving peace and national reconciliation. This was particularly the case in *Central America and the Caribbean*, where the EU expressed satisfaction (7 July) at the agreements reached in Oslo between the Government of *Guatemala* and the Guatemalan National Revolutionary Union (URNG) and also at the return to power of President Aristide in *Haiti* (October).

The EU confirmed the value it placed on the CSCE in view of its global nature and because it brought together the governments and peoples of the continent of Europe and of the United States and Canada. The General Affairs Council (4 and 5 October) adopted a document entitled "*EU Guidelines for the Budapest Review Conference*", to be used by the Member States when defining their position at the Conference, especially in the following areas: human dimension, economic cooperation, regional cooperation and cooperation with the Mediterranean.

Among the topics submitted to the Review Conference (10 October to 2 December) and the summit of Heads of State and Government (5 and 6 December) – both held in Budapest – consideration was given to institutional aspects, in particular the question of the CSCE becoming an organization "in its own right" as from 1 January 1995.

The **Stability Pact** initiative launched at the Brussels European Council (10 December 1993) led to a negotiating process being initiated in 1994, with an Inaugural Conference in Paris on 26 and 27 May.

The aim of this EU initiative was to use preventive measures to increase stability in Europe. It sought to promote good-neighbourly relations, with reference to frontiers and minorities, among other issues, and to further regional cooperation and the strengthening of democratic institutions through cooperation arrangements.

Since July all these questions have been addressed at two round-table meetings, one for the Baltic region and one for the countries of Central and Eastern Europe. To emphasize the importance it attached to the achievement of the objectives stated in the concluding documents of the Paris Conference, the EU made the actual conclusion of the Pact the subject of a joint action which was adopted by the Council on 14 June.

On 6 December in Budapest, under the chairmanship of the Union, the participating countries and international organizations held an interim conference to assess the progress made with a view to the final Conference (scheduled for 20 and 21 March 1995 in Paris).

In the field of **security**, the implementation of the Treaty on European Union led Member States to step up the mutual information and consultation process that had been going on for some years in the context of Political Cooperation, their aim being to achieve greater unity in the presentation of their positions and in the conduct of EU actions on the international stage.

The Union was thus in a position to present coordinated positions in the various international bodies and conferences dealing with *disarmament and non-proliferation*. In accordance with an objective already identified as a priority by both the European Council and the European Parliament, the Council on 25 July adopted a joint action under Article J.3 with a view to the Conference of States party to the *Non-Proliferation Treaty* concerning the Treaty's extension. Under the joint action, which is concerned with promoting the NPT and extending it indefinitely and unconditionally, approaches were made to third countries to further the EU's objective and to secure their participation in the Revision Conference. On 19 December the Council adopted a set of provisions (a joint action plus a Regulation) on controlling exports of dual-use goods.

The importance attached by the EU to **Human Rights**, as reaffirmed in the Maastricht Treaty, found expression both in its dialogue with third countries and in the multilateral fora where these matters were being discussed. Throughout the year the EU devoted considerable efforts to ensuring the implementation of the recommendations made at the World Conference on Human Rights (Vienna, 14 and 15 June 1993), in particular: the appointment of a High Commissioner for Human Rights, the allocation of extra funds to the UN human rights budget, and the universal ratification of international legal instruments concerning human rights.

At the same time, the Union continued to monitor and implement the Development Council's Resolution (28 November 1991) linking "human rights, democracy and development". In this connection it offered its assistance – sometimes including the use of joint actions – to the electoral processes begun in a number of countries, and especially the Russian Federation (in 1993) and in South Africa.

The EU supported the UN Secretary-General's request for appropriate coordination between the United Nations and the regional organizations operating under the UN Charter. The EU also cooperated with the UN on humanitarian aid, human rights and electoral assistance.

Within the United Nations, the commitment of the EU itself, and that of the Member States in the light of their particular responsibilities, continues to be very strong, as shown by the EU's perception of the financial crisis facing the UN as it approached its 50th anniversary, and by the active role which the EU played in the discussions on reforming the UN budget's scale of assessments to ensure that the States' financial contributions are paid in full and on time.

**Terrorism and drug trafficking are permanent challenges to the international community.**

Against the background of its political dialogue with third countries the EU has voiced its concerns regarding *terrorism* and is closely watching the development of terrorism at world level. It is also keeping up a dialogue with the drug producing countries and with the countries of transit, which provides a basis for its own analysis of the way the problem is developing internationally. The results of such exchanges and analyses fuel the relevant discussions and analyses in the areas of Justice and Home Affairs.

## 22. Justice – Home Affairs

Work on JHA was done primarily on the basis of the "action plan" and "priority work programme" which were drawn up in December 1993.

The Council has nearly completed the preparation of a Resolution on the determination of the minimum guarantees for asylum procedures. This will assure refugees of appropriate protection in accordance with the Geneva Convention of 1951. It should also facilitate the implementation of the Dublin Convention, which is based on the assumption that Member States deal with asylum applications in accordance with equivalent procedures.

At the same time, work has continued, without conclusion as yet, on harmonizing the application of the definition of "refugees" within the meaning of Article 1A of the 1951 Geneva Convention.

The Dublin Convention determining the State responsible for examining applications for asylum lodged in one of the Member States, which was signed in 1991, should come into effect fairly soon. The remaining Member States are about to complete their ratification procedures.

On the subject of immigration, the Council adopted at its meeting in June a Resolution on limitation on admission of non-EC nationals for employment. At its recent meeting it adopted corresponding provisions concerning self-employed persons and students.

These texts will enable Member States' practices in these areas to be brought closer together through the gradual adaptation of their legislation.

Substantial progress has been made on the gradual harmonization of Member States' policies on the important issue of readmission. A standard text for bilateral readmission agreements between a Member State and a third country has been drawn up.

In a broader context, the emphasis is now being placed more on the link between the Europe Agreements (of association or cooperation) and third countries' practices concerning readmission, especially with regard to their own nationals.

The last JHA Council meeting adopted a joint action to facilitate travel on school excursions for school pupils who are third-country nationals residing in a Member State.

This action is intended to help integrate these pupils and make it easier for such excursions to be arranged in other countries of the Union.

At the same meeting, the JHA Council examined, without yet reaching a conclusion, a draft Resolution on a further improvement in security at **external borders**. This concerned improved cooperation to deal with the growing pressure of illegal immigration and international organized crime. A serious of measures were identified.

Many discussions were held on the question of **burden-sharing** with regard to the admission and residence of displaced persons on a temporary basis. As there were still some disagreements, mainly over the criteria to be applied for such burden-sharing, the JHA Council was not yet able to adopt conclusions on this subject.

As regards **police and customs cooperation** and the **fight against drugs**, absolute priority was given to the framing of a Convention on the establishment of **Europol**. A large number of technical problems were resolved, but there were still considerable differences of opinion over major questions such as the aims of Europol, the role of the liaison officers and the architecture of the system, and also some general matters, such as means of redress. At its meeting in Essen, the European Council stressed the fundamental importance of this instrument, and decided that the Convention should be concluded by the time of its meeting in Cannes in June 1995.

At the same time, the Europol Drugs Unit (**EDU**) began its work in The Hague at the beginning of 1994 on the basis of the ministerial agreement signed in Copenhagen on 2 June 1993. This forerunner of Europol provides Member States with a means of greatly speeding up and facilitating the exchange of information between law-enforcement agencies in their fight against drug trafficking and the laundering of the proceeds from it. This is done by grouping the relevant information obtained from different sources, including customs sources.

At its meeting in Essen on 9 and 10 December 1994 the European Council agreed to extend the EDU's terms of reference to cover the illegal trade in radioactive and nuclear materials, the smuggling of illegal immigrants, the illegal trade in vehicles and the money-laundering associated with these types of crime.

The fight against drugs will now be assisted by the European Monitoring Centre for Drugs and Drug Addiction which is gradually being set up in Lisbon.

Following the Brussels European Council, the Commission put forward the draft of a new plan of action of the Union for combating drugs. This is now being examined.

In accordance with the instructions of the JHA Council, a strategy for the aspects concerning Title VI is being drawn up.

The recommendations adopted by the appropriate ministers on 2 June 1993 with regard to **money-laundering** have been broadly implemented by the Member States. A very detailed inventory concerning cooperation between law-enforcement agencies and customs authorities is being drawn up to establish how information can be exchanged between Member States, through effective cooperation between central contact authorities.

On a more general level, **organized crime** has been the subject of a detailed analysis aimed at identifying trends in the various forms taken by such crime. Alongside the "traditional" types of organized crime, such as the traffic in persons, smuggling of illegal immigrants, trade in stolen vehicles, trade in stolen works of art and crimes against the environment, other forms of crime have emerged, such as the theft and illegal trade in radioactive or nuclear products. Situation assessments and current national measures make it possible, in each of these areas, to take common measures and establish lines of cooperation. Some of the areas mentioned will also be covered by EUROPOL.

Much work has been done on the illegal trade in radioactive or nuclear materials. In the light of the significant increase in the number of cases recorded, the German Presidency took various initiatives to enable a practical, effective response to be made, using the various instruments available to the European Union.

A provisional report was sent to the Essen European Council, on the basis of which the Council approved a set of measures and guidelines for combating the problem.

Work will have to continue in the context of an overall approach that will include prevention, nuclear non-proliferation and the investigation and suppression of illegal trade.

In the **customs** field, in line with the priority programme, the Council received from its preparatory bodies a contribution to the formulation of a strategic plan for the Union to combat fraud in the internal market. It contains short-, medium- and long-term measures, and particularly emphasizes the importance of adopting the Convention establishing the Customs Information System.

As regards **judicial cooperation**, attention is drawn to extradition, protection of the Community's financial interests and, in the civil sector, the extension of the Brussels Convention.

The discussions concerning **extradition** focused on the conditions and grounds for refusing extradition and also the actual procedures for extradition, with particular reference to the simplification of extradition decisions where the person concerned consents to his extradition. The Council saw this last aspect as a matter of priority and asked for a draft Convention on it to be submitted by the end of the first half of 1995.

The Council adopted a Resolution on protection under criminal law of the financial interests of the Community, which constitutes the first substantial agreement in this area. The Essen European Council asked the Council (JHA) to draw up a legal instrument during the first half of 1995, on the basis of drafts from the United Kingdom and Commission.

As to judicial cooperation in civil matters, in accordance with the terms of reference laid down by the European Council in December 1993, the discussions concentrated on the extension of the Brussels Convention. The Presidency put forward a draft Convention dealing with marriage (existence, annulment, effects), divorce, legal separation and related matters concerning matrimonial property.

The current discussions will continue in the light of the June 1995 deadline set by the Council. Matters concerning custody of children will also be considered in this context.

Relations with third countries proceeded on the basis of the old TREVİ contacts and were also extended to other countries. The Council took a pragmatic approach to ensure that the common objective was not impeded by excessive administration. Cooperation with the countries of Central and Eastern Europe is of particular importance here. In accordance with the conclusions of the Berlin Conference on 8 September 1994, which was attended by the Member States of the European Union and the countries of Central and Eastern Europe, the European Union will widen and deepen its cooperation with these countries.

Another area of activity should be mentioned, given the importance it now has: the combating of racism and xenophobia.

The Corfu European Council established a detailed work programme to combat all forms of racism and xenophobia, including acts of racist and xenophobic violence, and to help bring about tolerance and understanding. Initial work under the First Pillar dealt with police cooperation and judicial cooperation.

In accordance with the wishes of the Corfu European Council, a Consultative Commission, composed of eminent persons, was set up.

Interim reports were submitted to the Essen European Council. It is intended that the current discussions should lead to an overall strategy at Union level being formulated by the European Council in June 1995.

## 23. Budget – Financing the Community

During 1994, the three Institutions which on 29 October 1993 had signed the **Interinstitutional Agreement** on budgetary discipline and improvement of the budgetary procedure set about implementing, each within its sphere of competence, the various points of the conclusions of the Edinburgh European Council.

Until the conclusion of the new Decision on own resources, the **1995 budgetary procedure** was overshadowed by uncertainty as to the position of the Parliament, which from the outset of the procedure wanted the 1995 budget to be financed on the basis of that new Decision.

The Council submitted its draft budget for first reading in accordance with the current legislation; the Council's adoption of the Decision on own resources, which coincided with the Parliament's first reading of the budget, and the agreement reached on the adjustment of the financial perspective to include the three new Member States, which allowed a sufficient margin to accommodate the expenditure proposed by the Parliament, enabled the subsequent stages of the budgetary procedure to be concluded within the bounds of the new legal framework.

The 1995 budget amounts to ECU 80 892,9 million in commitment appropriations, i.e. a 12,68% increase over the 1994 budget.

The 1995 budgetary procedure saw the Parliament and the Council implement for the first time the conciliation procedure on compulsory expenditure provided for in the Interinstitutional Agreement; the results were encouraging.

Prior to the Commission's submission of the 1995 PDB, the two arms of the budgetary authority and the Commission met for the triologue on the possible priorities of the budget of that year, as required by the Interinstitutional Agreement.

When the Parliament came to adopt the budget, the changes it had made at second reading to many of the EAGGF-Guarantee Section headings, hitherto always regarded as compulsory expenditure, prompted the Council to make a sharp statement through its President, reserving its rights on that class of expenditure.

The timetable for the applicant countries' referendums on accession made it materially impossible to incorporate all the budgetary implications of accession into the ordinary budgetary procedure for 1995. As a precautionary measure, amounts were entered in the new specially-created headings in the budget reserves. A supplementary and amending budget in 1995 will be necessary to mobilize these funds.



Two **supplementary and amending budgets** were necessary in 1994 to take account of the start-up of the Committee of the Regions, certain expenditure on translation and publication of Community legislation and the budgetization of the 1993 negative balances.

In December 1992 the Edinburgh European Council had outlined the **future financing of the Community** for the period 1993 to 1999.

The process of translating the Edinburgh conclusions into law was completed in 1994. This legislation consisted of texts on new own resources, the establishment of a Guarantee Fund to cover risks arising from loans and guarantees to third countries, new rules on budgetary discipline and two Financial Regulations implementing the new measures.

These texts, especially those on the Guarantee Fund and budgetary discipline, underwent complex negotiation in the Council. The joint guidelines reached by the Council were put to the conciliation procedure with the European Parliament as required under the Joint Declaration of 4 March 1975.

Negotiations with the European Parliament began at Ministerial level on 25 July and ended in October. The dialogue between the Institutions succeeded in narrowing the gap between their positions and culminated in a series of commitments enabling the concerns of the parties to be taken into account during the period of application of the legislation in question. The outcome of the conciliation procedure was approved by the Council on 24 October and by the Parliament on 25 October.

The legislative texts were adopted by the Council on 31 October 1994.

In November and December the European Parliament and the Commission held the talks required under paragraph 24 of the Interinstitutional Agreement of 29 October 1993 on the adjustment, for the period 1995 to 1999, of the various headings of the financial perspective annexed to that Agreement, in order to take account of the European Union's enlargement to include Austria, Finland and Sweden.

The decision adjusting the financial perspective was signed by the three Institutions in Strasbourg on 13 December 1994.

On 31 October 1994 the Council adopted the new Decision on the system of the Communities' **own resources**. This was notified to Member States for ratification in accordance with their respective constitutional requirements.

The Decision, which takes effect on 1 January 1995, makes two substantial changes to the earlier system:

- a graduated increase in the total amount of own resources allocated to the Communities; this amount may rise to 1,27% of the total GNPs of the Member States in 1999;
- new financing rules, which involve reducing the VAT-based share of the resource and increasing the GNP-based share of resource.

The mechanism for correcting budget imbalances in respect of the United Kingdom remains unchanged.

The system of own resources will be reviewed before the end of 1999 in the light of a Commission report on the system's operation.

It should be pointed out that the adoption of the new Decision on own resources was preceded by highly complex political negotiations relating to the payments required of certain Member States for failure to comply with milk quotas for the period 1989 to 1993. A political solution to this series of issues was thrashed out at an extraordinary meeting of the Council on 21 October.

The Regulation establishing a **Guarantee Fund for external actions** was adopted by the Council on 31 October.

This Fund is to be used to repay the Community's creditors in the event of default by the beneficiary of a loan granted or guaranteed by the Community. The lending and guarantee operations concerned are those carried out for the benefit of a third country or for the purpose of financing projects in third countries.

The core concept of the **Decision on budgetary discipline**, like that of 1988, whose basic principles it strengthens and confirms, is that all Community expenditure should be subject to the principles of sound public finance and budgetary discipline.

Whereas for certain types of expenditure, the application of budgetary discipline is referred to other texts, namely the Financial Regulation and the Interinstitutional Agreement of 29 October 1993, EAGGF-Guarantee Section expenditure continues to be covered by detailed provisions in the Decision itself.

These cover, in particular, the definition and calculation of the agricultural guideline, the operation of the early-warning system designed to ensure compliance with the guideline, and the level and operation of the monetary reserve.

The Decision also establishes the two reserves for external operations which the Edinburgh European Council decided to set up, i.e. a reserve for loans and loan guarantees, mainly intended to cover the Guarantee Fund, and a reserve for emergency aid to non-member countries in order to permit a rapid response to specific emergency-aid requirements resulting from unforeseeable events, with priority being given to humanitarian operations. The decision to use these reserves is to be taken by mutual agreement of the Council and the European Parliament on a proposal from the Commission.

European Union — Council

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