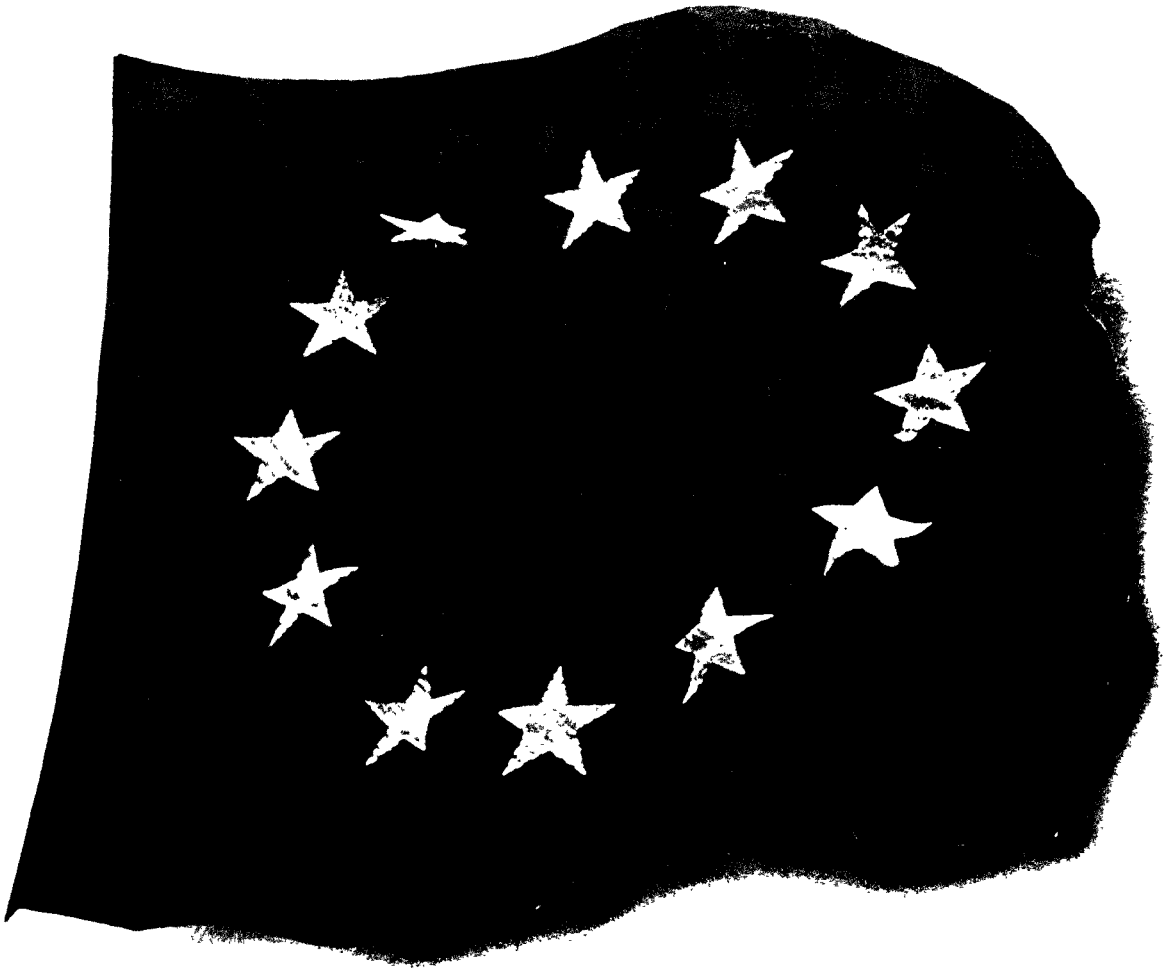


# Bulletin of the European Communities

Commission



No 6 1987 Volume 20

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# Bulletin of the European Communities

Commission

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Commission of the European Communities

Secretariat-General

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PART ONE

# SPECIAL FEATURES

## Bulletin information service

Readers can obtain information on developments since this issue went to press (date of adoption of instruments by the Council, of opinions given by Parliament or the Economic and Social Committee, of publication in the Official Journal, etc.) by telephoning the document services of the Information Offices at the following numbers:

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## References in text and footnotes

References to other parts of the same issue of the Bulletin are given in parentheses in text, thus (→ point 2.1.53).

References to other issues of the Bulletin, to a Bulletin Supplement, to an Official Journal etc. are given in footnotes.

Standardized abbreviations for the designation of certain monetary units in the different languages of the Community

ECU	=	European currency unit
BFR	=	Belgische frank / Franc belge
DKR	=	Dansk krone
DM	=	Deutsche Mark
DR	=	Greek drachma
ESC	=	Escudo
FF	=	Franc français
HFL	=	Nederlandse gulden (Hollandse florijn)
IRL	=	Irish pound / punt
LFR	=	Franc luxembourgeois
LIT	=	Lira italiana
PTA	=	Peseta
UKL	=	Pound sterling
USD	=	United States dollar



# 1. Brussels European Council

1.1.1. The European Council, attended by the Community's 12 Heads of State or Government, opened in Brussels at 3 p.m. on 29 June, and its proceedings were given over entirely to consideration of the Commission's communication 'The Single Act: A new frontier for Europe'.<sup>1</sup>

As the Commission President, Mr Jacques Delors, declared at his press conference before the meeting: 'How are the 12 of us to live together in the medium and long term and how is our Community to make progress? This is an issue on which a decision must be taken, and that decision must come from the European Council. What do we really expect of a European Council? Not that it should do duty for the specialized Councils, but that it should appraise the Community's general economic, political, social and financial situation and lay down the broad guidelines for its development ...'.

In the letter that the Council President customarily addresses to the other Heads of State or Government, Mr Wilfried Martens declared: 'The meeting of the European Council to which I am pleased to invite you on 29 and 30 June will be taking place on the very eve of the entry into force of the Single European Act, which provides the framework within which our Community must develop if it is to meet the challenges of the end of this century. One of its implications, to my mind, is that it will force us, for the years ahead, to strike a balance in the development of Community activity. It is essential that this balance be maintained if we are to succeed in removing all obstacles to the internal market as we have undertaken to do by 1992. Our next obligation resulting from this commitment is that of placing our joint plan of action in a medium-term perspective. That is the message from the Commission in its communication before us today ...'.

That was the agenda for this European Council. It had been prepared by the Finance Ministers and the Foreign Ministers, who had been meeting regularly since February<sup>2</sup> right up to the eve of the Euro-

pean Council, having held a 'conclave' on the afternoon of 27 and the morning of 28 June.

Before the start of the European Council, Lord Plumb, President of the European Parliament, personally made a statement before the Heads of State or Government in which he welcomed the important precedent constituted by his presence at the opening of the European Council. He was convinced that this marked the beginning of a new and creative age of institutional cooperation.

Lord Plumb summarized Parliament's message as follows: to begin with, the internal market objective is 'crucial to our future economic development as the motor of economic growth'; then all policies must be directed towards 'creating and spreading prosperity to all regions of the Community'; as regards agriculture, 'surplus production must be eliminated, and we must try to relate supply to demand' while protecting the position of the small farmers; finally, for the future, the Community 'will need to finance its existing commitments and the new obligations which it has taken on within the Single European Act'. Lord Plumb stressed that Parliament 'strongly supports the Commission's general approach as a means of providing a global and durable solution to the problems facing the Community budget'.

The European Council's initial discussions on the Monday afternoon were devoted to the internal market and economic and social cohesion. Following the informal evening talks at Val Duchesse, the proceedings resumed on the Tuesday morning. While the discussions were going on between the Heads of State or Government, the Presidency and the Commission coordinated the discussions on the immediate agricultural problems. The debates between the Heads

<sup>1</sup> Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

<sup>2</sup> Bull. EC 2-1987, point 2.4.6; Bull. EC 4-1987, point 2.4.9; Bull. EC 5-1987, points 2.4.5 and 2.4.6.

of State or Government were based on a preliminary draft of 'conclusions' prepared by the Presidency in the light of the informal talks at Val Duchesse.

The European Council meeting ended at 10 p.m. on the Tuesday, on the basis of the Presidency's conclusions, with:

(i) agreement on the part of 11 Member States (the United Kingdom refusing its endorsement) on the medium-term issues, namely general guidelines for acting on the Commission's communication, to be firmed up at the Copenhagen European Council at the end of the year;

(ii) unanimous agreement on the short-term issues: the agricultural problems (shelving of the plan for a tax on oils and fats and compromise on MCAs on the basis of a Franco-German agreement), thereby enabling the Ministers for Agriculture to adopt the new prices and related measures at a Council meeting that very same night (→ points 1.3.1 and 1.3.2); supplementary budget No 1/87 (the guidelines to be given substance by the Budget Ministers); present research projects to continue during the current year, pending adoption of the new research programme (1987-91).

These guidelines are accompanied by a work programme and procedure. The Council, acting on proposals from the Commission, is to prepare various measures: the binding legal provisions to establish budgetary discipline both for agricultural expenditure and for non-compulsory expenditure; a decision on the reform of the structural Funds including the financial objective for the allocations to the Funds in 1992; the level of the new ceiling on own resources for 1992; detailed guidelines on the new system of own resources and on the correction of budgetary imbalances.

## Conclusions of the European Council

1.1.2. The Presidency noted that 11 delegations were able to agree to the con-

clusions set out in Annex I regarding the guidelines and the work programme on the Commission communication entitled 'Making a success of the Single Act'.

1.1.3. The European Council adopted the conclusions set out in Annex II on:

- (i) the system of monetary compensatory amounts,
- (ii) the 1987 budget,
- (iii) research.

## Annex I

### *Making a success of the Single Act*

1.1.4. At the opening of its meeting the European Council received the President of the European Parliament, Lord Plumb, who presented the conclusions reached by the Parliament on the future development of the Community.

The European Council then examined the various aspects of the Commission communication entitled 'Making a success of the Single Act'.

The European Council is aware that the recent enlargement, the 1992 deadline for the achievement of the single market, the undertaking to strengthen cohesion and develop common policies and the signing of the Single Act open up new prospects for the Community. To make allowance for those changes and in order to address this new stage in the Community's development under the best conditions, the European Council feels that a number of concrete guidelines must now be set and a procedure laid down enabling the various decisions required for their attainment to be adopted swiftly.

## Common economic area

1. One of the Community's essential tasks is the establishment of a common economic area comprising the attainment of the single market and economic and social cohesion.

The foundation for this area will be the attainment of an internal market in which goods, persons, services and capital circulate freely. Convergence of the economic and monetary policies of the Member States and in particular the strengthening of the EMS are essential features in this respect.

The creation of the economic area will also require accompanying policies to be developed in order that greater Community cohesion may be achieved on the basis of the provisions of the Single Act.

The creation of the common economic area will bring benefits to all the Member States since it will generate stronger economic growth and create more jobs.

The European Council underlines the importance of the work which has been carried out since the submission of the Commission's White Paper on the internal market in June 1985. In order to ensure that the 1992 deadline is met, the European Council requests the relevant Councils to take full advantage of the improvement in the decision-making process now produced by virtue of the Single Act. It requests the institutions concerned to take the necessary decision with regard, in particular, to the opening of public contracts, the approximation of standards, the completion of the liberalization of capital movements, insurance matters and the mutual recognition of diplomas and to make swift progress with regard to the company law adjustments required for the creation of a European company.

The European Council would like these decisions to be taken with all possible speed and in any event before the end of 1988 so that the attainment of this objective is regarded as irreversible.

The European Council also emphasizes the importance of a common effort in the area of new technologies: in this connection the European Council invites the Council to approve as a matter of urgency the new framework programme for scientific research and development in accordance with the Presidency's compromise.

### **The structural Funds in connection with cohesion**

2. In confirming the importance of the general objective of strengthening Community cohesion, the European Council is convinced that reform of the structural Funds must play a considerable part in achieving this objective. It endorses the Commission's approach to ensuring that these instruments are more effective as regards the rationalization of their objectives, the concentration of their action according to Community criteria giving due weight to the backwardness of certain regions or to regions in industrial decline and recourse to the programme method. There would also be a need to provide for a variation of intervention rates in accordance with objective criteria, in particular the degree of prosperity of the recipient State. The European Council requests the

Council to examine these questions on the basis of the comprehensive proposal to be submitted by the Commission in accordance with Article 130D of the Single Act.

As regards funding, the European Council recalls the undertaking given in 1984 in favour of significant progression in real terms in the appropriations allocated to the structural Funds. The Commission considers that, in order to meet the specific requirements connected with the recent enlargement and to contribute to achieving the objectives of the Single Act, the appropriations allocated to the Funds must be doubled, in real terms, by 1992. Acting on a Commission proposal in the context of the Community's new financial system, the European Council intends to fix a financial objective for appropriations to the Funds, to be reached in 1992, and will adopt the multiannual reference framework accordingly, in order to strike a balance between achieving the internal market and strengthening cohesion.

The implementation of all the above measures will make it possible to give a real economic impact to Fund intervention.

### **Budgetary discipline and new resources**

3. Like the Commission, the European Council considers it essential that a lasting response be sought to the question of the Community's financial equilibrium, on the one hand by providing it with appropriate resources and on the other hand by subjecting the use of these resources to effective and binding budgetary discipline.

#### *Budgetary discipline*

4. Parallel to the effort being made by the Member States in connection with their own budgets, the Community must submit the use of its resources to effective and binding discipline. The European Council considers that the arrangements decided upon at Fontainebleau must be strengthened in the light of experience. Budgetary discipline must be applied to all the Community's expenditure, both to payment appropriations and to commitment appropriations. It must be binding on all the institutions which will be associated with its implementation.

5. As regards non-compulsory expenditure, these rules involve, in particular, compliance with the provisions relating to the maximum rate. The achievement of the Community's financial objective for 1992 as regards the structural Funds will

be ensured in each budget year by applying Article 203(9) of the Treaty.

6. As regards the agricultural sector, the European Council confirms that EAGGF guarantee expenditure must not progress at a rate exceeding that of the own resources base.

The European Council notes that the Council has already adopted various production-stabilization arrangements within the market organizations.

The European Council requests the Council, acting on a Commission proposal, to adopt the additional regulations which will enable the Commission, in the context of the management of the market, to keep the level of expenditure within the budget framework.

The starting base of the agricultural norm must be redefined to take account of the current situation. The effect of exceptional circumstances will have to be better defined and in particular the monetary factor will have to be neutralized in both directions.

7. Generally speaking, the European Council emphasizes that the new budgetary discipline must be implemented in such a way that it does not conflict with the effort made by the Community to achieve a better balance as between the various categories of expenditure.

8. For expenditure as a whole, budget management rules must be strengthened, in particular through a reform of the Financial Regulation.

#### *New resources*

9. The European Council considers that the Community must have stable and guaranteed resources enabling it to cope with the consequences of decisions connected with the implementation of its main policies.

The European Council asks the Council, within the programme of work set out below, to adopt the level of the new ceiling of own resources based on a percentage of Community GNP.

The financing system should, as proposed by the Commission, take greater account of the proportionality of contributions in accordance with the relative prosperity of Member States.

The Council will also study the Commission's proposal fixing until 1992 the annual subceilings for own resources in order to consolidate the budgetary discipline rules.

#### *Correction of budgetary imbalances*

10. The European Council notes that a decision on the question of the correction will be taken at the same time as the decisions on future funding.

## **Agriculture**

11. The European Council recalls the conclusions adopted by the OECD and the Venice Summit and notes that the direction taken in the proceedings of the Agriculture Council on the basis of the Commission proposals is in keeping with the commitments entered into in those forums. The European Council confirms the need for better adjustment of supply to demand through measures enabling the market to play a greater role. This approach could be supplemented by other measures such as, for example, encouragement of the set-aside of land or more extensive farming.

In view of the repercussions of these measures on incomes, the reforms could be accompanied, in accordance with the Commission proposals, by the grant of direct, selective income support which should be subsidiary in relation to prices policy, have no impact on the level of production and fall within a Community framework.

Implementation of an approach of this kind by the Community and by all the other main agricultural producers could only have beneficial effects in the long term, provided they are balanced, progressive and concerted.

The European Council considers that the completion of the modernization of the common agricultural policy must take into account its fundamental principles, the legitimate interests of farmers, and the Community's external interests, while avoiding any risk of movement towards renationalization.

Once the decisions on the 1987/88 prices have been adopted, the Commission and the Council will have to draw up an inventory of the various adjustments made to the common agricultural policy and, on that basis, the Council will adopt the requisite supplementary measures, including measures to ensure that the budgetary discipline is fully observed.

## **Work programme and procedure**

1.1.5. The European Council requests the Council, on the basis of the Commission communication entitled 'Making a success of the Single Act', and in the light of the guidelines defined above, to:

(i) prepare, on a proposal from the Commission, the binding legal provisions referred to in paragraphs 4 to 8 above to establish budgetary discipline for both agricultural and non-compulsory expenditure. These provisions will include the supplementary measures for inclusion in the com-

mon agricultural policy judged necessary in the light of the inventory referred to in paragraph 11;

(ii) prepare a decision on the comprehensive Commission proposal for reform of the structural Funds including the financial objective for appropriations to the Funds to be reached in 1992 (see paragraph 2 above);

(iii) prepare, on a proposal from the Commission, in conjunction with the above decisions, the level of the new ceilings on own resources for 1992;

(iv) prepare, on a proposal from the Commission, detailed guidelines on the new system of own resources, following the indications in paragraph 9 above, and on the correction of budgetary imbalances.

All the decisions to be taken on the four points above form an indivisible whole.

The European Council will adopt its final position on all these matters at its meeting in Copenhagen in December 1987.

With regard to the new own resources, the legal decision to be submitted for ratification by the national parliaments will have to be definitively adopted by the Council (in accordance with guidelines confirmed by the European Council) before the end of the first quarter of 1988, so that it can be finally approved (after ratification by the national parliaments) before the end of 1988 with retroactive effect as from 1 January 1988.

Pending ratification, appropriate measures will be taken by the budgetary authority to cover the requirements of the 1988 budget in order to ensure the normal functioning of the Community.

## Annex II

### System of monetary compensatory amounts

1.1.6. The arrangements on monetary compensatory amounts agreed by the European Council are set out below.

#### (1) Existing positive MCAs

(a) Immediate reduction by:

(i) 1 switch-over point;

(ii) 0.5 neutral margin point.

(b) Reduction by 1 point at the beginning of the 1988/89 marketing year by a reduction in prices in DM compensated for by a German national aid equivalent to 2 VAT points to cease to apply at

the end of 1988, but without such aid being linked to production.

(c) Elimination of the balance at the beginning of the 1989/90 marketing year (this balance should be minimal and only apply to a few products).

#### (2) Future MCA system

Retention of the switch-over system:

(a) As regards 'artificial' MCAs:

(i) 25% elimination through reduction in ECU prices, at the beginning of the following marketing year, with the possibility of a compensatory national social aid not linked to production.

(ii) Elimination of 50% of the balance at the beginning of the second marketing year following realignment, with the 1979 gentlemen's agreement being maintained.

(iii) Elimination of the remainder at the beginning of the third marketing year following realignment, with the 1979 gentlemen's agreement being maintained.

(b) As regards 'natural' MCAs:

(i) Maximum 30% elimination at the time of realignment.

(ii) Programme for dismantling the balance in two equal stages at the beginning of the two marketing years following realignment.

The system will be re-examined before 1 July 1988 in the light of a joint report by the Ministers for Finance and for Agriculture.

### 1987 budget

1.1.7. The Commission submitted a preliminary draft supplementary and amending budget to adapt the budget as adopted.

The Budget Council is requested to prepare a draft budget urgently on this basis.

This budget will be funded by using all available own resources up to the 1.4% VAT limit and by reductions in expenditure by means of measures which do not call into question the implementation of Community policies and safeguard the non-compulsory expenditure currently entered in the budget.

In addition, the EAGGF guarantee appropriation in 1987 will be honoured by means of an adjustment in the system of advance payments on the basis of a Commission proposal. The details of this adjustment will be laid down before the end of the year. It will be re-examined in connection

with the whole body of decisions to be taken with regard to the future financing of the Community.

## Research

1.1.8. The European Council requests the Community institutions to ensure that the scientific research and development appropriations in the budget for the 1987 financial year can be used for current programmes pending the definitive adoption of the multiannual framework programme provided for in the Single Act.

## Statements and comments

1.1.9. At the press conference after the European Council, Mr Wilfried Martens, who had chaired the meeting, welcomed the results obtained on the immediate issues and stressed that the 'work programme' accompanying the European Council's medium-term guidelines constituted an undertaking to implement those guidelines, in order to reach substantive decisions at the Copenhagen meeting.

Thanking the Belgian Presidency for its effective work and its close collaboration with the Commission throughout the first half of 1987, Mr Jacques Delors said: 'An undertaking has been given and the European Council cannot put off its decisions any more. The Commission was well aware that the package it had presented in mid-February could be adopted all at once. But the European Council discussed it in detail and now the momentum cannot stop. If, as agreed, the decisions are taken at Copenhagen, the decision-making process will in the end have been relatively fast compared with the Community's usual experience.'

Chancellor Helmut Kohl said he was pleased with this European Council. He was very happy that the Franco-German agreement on agriculture had helped to produce a result that took account of the problems of German farmers. Mr François Mitterrand, who was accompanied by his Prime Minister, Mr Chirac, considered that the Heads of Government had secured a sound agreement. The British Prime Minister, Mrs

Margaret Thatcher, declared that the assurances given concerning the imposition of real budgetary discipline were unconvincing. Once again she emphasized the need to reduce agricultural spending, saying that she was not prepared to subscribe to constantly swollen levels of expenditure, with the Community standing on the brink of bankruptcy. On the question of new own resources, she said she had refused to be inveigled into accepting decisions that should not be taken until Copenhagen.

Lord Plumb, President of the European Parliament, said in a statement issued during the night of 30 June that he was very disappointed by the outcome: the European Council had once again failed to take the necessary decisions to settle the main problems confronting the Community. The Chairman of Parliament's Socialist Group, Mr Arndt, also took a dim view of the results of the European Council, believing that they did nothing to overcome the Community crisis. The Chairman of the EPP Group, Mr Klepsch, found some cheer, especially in the agricultural agreement, which was a source of hope that France and Germany could together give new impetus to Europe in other spheres.

1.1.10. Addressing Parliament on 7 July during the debate on the European Council, Mr Wilfried Martens said that 'the biggest, and at the same time the most daunting, task to fall to the Presidency in our six-month term has been the negotiations on the Commission's proposals to give effect to the Single Act'.

'These proposals—the "Delors package"—form a balanced whole within a medium-term approach. But to have the smallest chance of succeeding we had to stick at all costs to that comprehensive approach and the medium-term view. This was the overriding and constant concern of the Belgian Presidency throughout the preparatory work leading up to the European Council...

But at the same time we were having to grapple with another challenge. The Presidency knew that the Community was beset by two immediate problems: the Agri-

culture Ministers had not yet managed to agree on the farm prices and related measures for the year, and the Budget Ministers had not found a solution for the 1987 supplementary budget. So we had to hit upon a way of working that would allow the European Council to make it easier to find solutions to those two problems without forfeiting the time we needed to consider the medium-term issues in depth.

I think I can safely say that this dual task was accomplished...'

Mr Delors identified a number of positive factors: the European Council had resisted the temptation to confine itself only to the short term; instead, as the Commission had hoped, discussion had concentrated on medium-term issues; the European Council had taken the Commission's proposals as a basis for discussion and had considered them in their entirety; there had been no

clash between the Community's richer and poorer countries; instead, each country's concerns had been given a sympathetic hearing, and this had led to a reaffirmation of the importance of economic and social cohesion; a solution on own resources would be adopted by the end of March 1988 and applied from 1 January 1988; the agrimonetary solution might not be a 'monument to rationality' but it would only apply until 1 July 1988, when the problem would be reconsidered in the light of developments on the EMS; lastly, a precise work programme had been agreed, leading to final decisions in Copenhagen. In line with this programme the Commission would be laying three proposals on the Council's table before the end of July: the framework Regulation on the structural Funds; the arrangements for budgetary discipline; the formula for the structure and volume of own resources.

## 2. Western Economic Summit in Venice<sup>1</sup>

1.2.1. The Western Economic Summit, the 13th in an annual series of meetings of the Heads of State or Government of the seven major industrial democracies that began at Rambouillet in 1975 (together with representatives of the Community since the London Summit in May 1977), was held on the island of San Giorgio Maggiore in Venice from 8 to 10 June.<sup>2</sup> Mr Amintore Fanfani, the Italian Prime Minister, chaired the meeting. The Community was represented by Mr Wilfried Martens, the President of the Council, and Mr Jacques Delors, the President of the Commission, accompanied respectively by Mr Leo Tindemans, the Belgian Foreign Minister, and Mr Willy De Clercq, the Member of the Commission with special responsibility for external relations and trade policy.

In preparation for the meeting, the Commission had, for the first time, drawn up two working papers dealing with the international economic situation and prospects and with the problems facing the countries in sub-Saharan African (→ point 2.2.30). While not setting out a common position in the strict sense on those issues, they did provide guidance for the representatives of the Member States participating in the Summit.

Alongside its economic deliberations, the Summit devoted considerable attention to

<sup>1</sup> The declaration and statements adopted at the close of the Summit are reproduced *in extenso* at point 3.7.1 *et seq.*

<sup>2</sup> Previous Summit: Bull. EC 5-1986, points 1.3.1 *et seq.* and 3.4.1 *et seq.*

other topics, discussing at length, for example, certain foreign policy and security issues and a number of social problems such as AIDS and drug abuse.

### Political statements

1.2.2. The pre-Summit dinner, held on the evening of 8 June in honour of the Heads of State or Government and of Mr Martens and Mr Delors, was the occasion for an impromptu exchange of views on a number of political issues, notably defence and East-West negotiations. The discussion, which was extremely frank, revealed a general desire for speedy agreements on disarmament. The next morning three statements were adopted.

1.2.3. The statement on East-West relations reaffirms the importance of the strategy of nuclear deterrence and, coupled with it, the importance of arms reductions. It mentions the encouraging prospects for political developments in the Soviet Union and for the negotiations on the reduction of nuclear forces. It calls for significant and lasting progress in human rights in the East and for greater contacts between people in the East and the West. Lastly, it mentions the need for an early and peaceful resolution of regional conflicts, e.g. through the withdrawal of Soviet forces from Afghanistan.

1.2.4. The statement on terrorism follows the line taken in the statements issued at previous summits, especially the Tokyo Summit.<sup>1</sup> It reaffirms the determination of the Summit participants to combat all forms of terrorism, to refuse to make concessions to terrorists, to apply effective measures against any State supporting terrorism and to continue efforts to improve the safety of travellers in particular. It underscores the progress made since the Tokyo Summit in international cooperation against terrorism and reaffirms the obligation on governments to try or extradite terrorists.

In an annex to the statement, the Heads of State or Government lay down the arrangements for honouring the commitments they

entered into in Bonn in 1978<sup>2</sup> and in Tokyo in 1986<sup>1</sup> with a view to combating air piracy. A country that refuses to extradite or prosecute terrorists or to return a hijacked aircraft will face suspension of all incoming flights. By the same token, flights from that country or from any other country by airlines of the country concerned will be halted.

1.2.5. The statement on the Iraq-Iran war and freedom of navigation in the Gulf calls once more upon those party to the conflict to cease hostilities and urges the adoption of effective measures by the UN Security Council. It reaffirms that the principle of freedom of navigation in that part of the world is of paramount importance.

### Economic declaration

1.2.6. On the Tuesday, economic issues were discussed at a number of levels: the Heads of State or Government, the Foreign Ministers and the Finance Ministers. On Wednesday, following an official dinner at the Doge's Palace to mark the close of the Summit, hosted by Mr Francesco Cossiga, President of the Italian Republic, for the Heads of Delegation, the Foreign Ministers, the Finance Ministers and their personal representatives ('sherpas'), Mr Fanfani, the Italian Prime Minister, read out the Venice economic declaration.

The declaration recalls first the progress in economic policy coordination, notably in the monetary field, since the Tokyo Summit and the policy agreements reached at the Louvre (22 February 1987)<sup>3</sup> and Washington.<sup>4</sup>

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<sup>1</sup> Bull. EC 5-1986, point 3.4.3.

<sup>2</sup> Bull. EC 7/8-1978, point 1.1.4.

<sup>3</sup> At the Louvre, the Finance Ministers and the Central Bank Governors of the Group of Seven agreed that the substantial exchange-rate changes since the Plaza Agreement (September 1985) had now brought their currencies within ranges broadly consistent with underlying economic fundamentals and that they would cooperate closely to foster stability of exchange rates around the levels obtaining at the time.

<sup>4</sup> The Louvre Agreement was confirmed at the meeting of the IMF Interim Committee held in Washington in April (Bull. EC 4-1987, point 2.1.3).



It also recalls that the new process of coordination, which involves the use of economic indicators, will enhance efforts by the countries participating in the Summit to achieve more consistent and mutually compatible policies. It calls on the Group of Seven Finance Ministers and Central Bank Governors to consider further improvements as appropriate to make the coordination process more effective. It stresses the importance of strengthening growth within a framework of budgetary discipline and the need for effective structural policies to combat unemployment. If growth is insufficient, the Finance Ministers will develop 'additional appropriate' measures.

On trade, the Summit participants stress the merits of strengthening the multilateral trading system as a means of combating protectionist pressure and give their support to the conclusions set out in the agreement reached at the OECD ministerial meeting in May<sup>1</sup> on both the principles underlying the Uruguay Round<sup>2</sup> and its agricultural aspects.

The section dealing with the developing countries devotes much space to debt-related problems but underlines first the importance of official development assistance, recalling the target of 0.7% of GDP, and the role to be played by international financial institutions. In this connection, the participants announce their support for a general capital increase for the World Bank, if justified. As to public debt in the developing countries, the Summit distinguishes between two situations, that of the middle-income debtors and that of the poorest countries. For the former, it reaffirms its Tokyo recommendations, stressing though the role to be played by the commercial banks and the need to improve the conditions for the export and processing within the country of primary commodities. For the latter, particularly those undertaking adjustment efforts, it proposes 'special treatment' based on an agreement on longer repayment and grace periods and the possibility of applying lower interest rates.

Turning to environmental issues, the declaration encourages the United Nations

Environment Programme to institute a forum for information exchange and consultation on standards; it recalls the responsibility of the Summit participants to tackle environmental problems of worldwide impact and to ensure the industrial and technological progress that this entails. Lastly, it welcomes the progress made in international cooperation on nuclear safety.

## Other statements

1.2.7. In a statement on AIDS, the Summit participants underscore the seriousness of the illness, pointing out that priority will have to be given to strengthening existing agencies, under the acknowledged leadership of the World Health Organization. They encourage the exchange of information, public education campaigns and further cooperation in the medical research field.

1.2.8. In the Chairman's statement on drugs,<sup>3</sup> Mr Fanfani notes that the Heads of State or Government also examined the drug abuse problem, especially among young people, and emphasized the importance of the fight against illegal production and distribution. In this respect, they discussed the replacement by other types of production of the role played by the cultivation of natural drugs in the economy of certain developing countries.

## Conclusions of the Chairman

1.2.9. After presenting the Summit's economic declaration, Mr Fanfani read out the Chairman's statement on political issues, including some that had not been addressed in the other statements. He indicated that the discussion on East-West relations had paid particular attention to regional problems, notably in connection with Afghanistan and Kampuchea. Taking each continent

<sup>1</sup> Bull. EC 5-1987, point 2.2.42.

<sup>2</sup> Bull. EC 9-1986, point 1.4.1 *et seq.*

<sup>3</sup> This statement was not distributed to the press.

in turn, the Summit participants had noted first the economic difficulties in the island States of the Pacific, which needed to be supported in their development through maintenance of their independence. They had discussed the situation in South Africa, where a peaceful and lasting solution to the present crisis entailed the dismantling of the apartheid regime. They had expressed serious concern at the situation in the Near and Middle East and had stressed the need for rapid action to bring about peace in the Arab-Israeli dispute. They had highlighted the need to encourage a return to democracy in Latin America and to support efforts towards regional integration. Lastly, they had considered ways of overcoming the current financial difficulties of the United Nations.

## Reactions

1.2.10. After the Summit, Mr Wilfried

Martens and Mr Jacques Delors held a joint press conference. Asked about the Summit's tangible results, Mr Delors stated that it had been a good meeting and that the work completed and the joint statements issued were satisfactory for the Community. He emphasized that the Summit had made headway in four areas on which the Commission had concentrated its efforts (trade and exchange rates, agriculture, economic policies and especially the developing countries) and that the Community had spoken with one voice.

The other participants declared themselves to be broadly satisfied with the meeting. In very general terms, they welcomed the agreement on economic policy coordination, which, together with the focus on the problems of the most heavily indebted countries, was one of the main achievements of the Summit.

## 3. Agricultural prices and related measures for 1987/88

1.3.1. The agreement reached on 30 June by the Heads of State or Government on agricultural questions, and more particularly on agri-monetary aspects (→ point 1.1.6), dispelled to a considerable extent the difficulties obstructing the discussions on prices and related measures for 1987/88,<sup>1</sup> which had failed to make any further progress for a number of months.<sup>2</sup> Within a few hours following the conclusion of the Brussels European Council, the Ministers of Agriculture met again and agreed the new compromise proposal tabled by the Commission on the evening of 30 June.

At the end of the meeting, Mr Frans Andriessen, Vice-President of the Com-

mission, welcomed the action at last taken by the Ministers of Agriculture in approving prices in time to ensure that the decisions relating to cereals and oilseeds could be applied from the beginning of the marketing year: further delay would have compelled the Commission to adopt the precautionary measures needed to safeguard the continuity and the operation of the CAP.

As to matters of substance, Mr Andriessen felt that the agreement achieved was in gen-

<sup>1</sup> OJ C 89, 3.4.1987; Bull. EC 2-1987, points 1.2.1 *et seq.* and 2.1.105.

<sup>2</sup> Bull. EC 3-1987, point 2.1.143; Bull. EC 4-1987, point 2.1.103; Bull. EC 5-1987, point 2.1.156.

eral a constructive one and consistent with the reforms already started as regards milk<sup>1</sup> and beef/veal<sup>2</sup> and with the Commission's original proposals.<sup>3</sup> Major steps towards the reform of the CAP had now been taken for cereals and oils and fats, although the decision relating to the introduction of a stabilization mechanism for the consumer and production prices of oils and fats had had to be deferred.

As for the decisions relating to the future of the agri-monetary system, while they were not completely satisfactory for the Commission, they were none the less preferable to a prolonged hiatus in the price review. The Commission retained its right of initiative and the agri-monetary system would be re-examined by 1 July 1988 in the light of a joint report from the Ministers of Finance and the Ministers of Agriculture. With the adoption of an automatic mechanism for the dismantlement over three marketing years of most of the monetary compensatory amounts (MCAs), the agreement had none the less largely solved the problem of existing MCAs, both positive and negative.

The main points in the Council agreement are summarized below.

*Cereals.* The institutional prices have been practically frozen at the 1986/87 level,<sup>4</sup> except the intervention price for durum wheat (-2.7%). However, cereals will now be bought in at only 94% of the intervention price (which entails an effective reduction of 6% in the support price as compared with 1986/87). The intervention period is unchanged (from 1 October to 30 May), but the monthly increases accorded on intervention have been reduced. Also, during this period, grain will be bought in only if the average price on the Community market is below the intervention price, which thus becomes an activation threshold. Special intervention measures may also be adopted if prices drop sharply on isolated markets.

*Oils and fats.* The Council agreed to strengthen and broaden growers' co-responsibility and altered the intervention arrangements in line with the changes made

for cereals. The Commission's proposals on an oils and fats stabilization mechanism<sup>5</sup> will be given further study and the Community's main trading partners will be consulted. The conclusions will be referred to the next European Council in Copenhagen.

*Wine.* The Council accepted the idea that the Commission should submit before 1 September 1989 the report on sugaring originally planned for 1990. However, it undertook to act on the proposals which may derive from this only in 1990. It also adopted a number of adjustments to the compulsory distillation arrangements and tighter supervision measures.<sup>6</sup>

*Fruit and vegetables.* The Council adopted most of the Commission's proposals (lower prices for certain products, introduction of a threshold for the quantities of tomatoes admitted to intervention, etc.).<sup>6</sup> It also called upon the Commission to present a proposal for the extension of the basic and buying-in prices system to satsumas and clementines, with, however, a mechanism for guaranteed maximum quantities.

Also, the Council agreed to extend to Spain and Portugal the production aid system for dried grapes.

*Tobacco.* The Council adopted the Commission's approach for the modulation of prices and aids on the basis of the market situation for the various varieties.

*Milk.* The Council, with a view to promoting the restructuring of production, authorized the Member States to resell to certain types of farmer quotas bought under cessation schemes. It also undertook to adopt an instrument enabling the Member States to organize a system of leasing of individual

<sup>1</sup> Bull. EC 12-1986, points 1.2.1 *et seq.* and 2.1.211 *et seq.*; OJ L 78, 20.3.1987; Bull. EC 3-1987, point 2.1.150.

<sup>2</sup> Bull. EC 12-1986, points 1.2.1 *et seq.* and 2.1.19 *et seq.*; OJ L 48, 17.2.1987; Bull. EC 2-1987, point 2.1.116.

<sup>3</sup> OJ C 89, 3.4.1987; Bull. EC 2-1987, points 1.2.1 *et seq.* and 2.1.105.

<sup>4</sup> OJ L 139, 24.5.1986; Bull. EC 4-1986, point 2.1.107.

<sup>5</sup> Bull. EC 2-1987, points 1.2.14 and 1.2.15.

<sup>6</sup> OJ C 89, 3.4.1987; Bull. EC 2-1987, point 1.2.8.

reference quantities between producers delivering to the same purchaser.

*Agri-monetary matters* (→ points 2.1.162 to 2.1.166). The Council reached agreement on complete dismantlement, in three stages, of existing positive MCAs and on substantial dismantlement of applied negative compensatory amounts. As regards the future arrangements for the MCAs, the Council reached agreement on arrangements for the dismantlement of the new negative MCAs

which would be created because of the retention of the present agri-monetary system (the 'switch-over' system). As stated above, the system will be re-examined before 1 July 1988 in the light of a joint report from the Ministers of Finance and the Ministers of Agriculture.

1.3.2. Fuller detail on the new prices and related measures adopted by the Council is given in the 'Agriculture' section (→ points 2.1.148 to 2.1.166) and Tables 8 and 9).

## 4. Commission Green Paper on telecommunications

1.4.1. On 26 June the Commission transmitted a Green Paper on telecommunications to the Council, to Parliament and the Economic and Social Committee.<sup>1</sup> This document gives a general outline of the problems facing the Community in this fast-growing industry subject to continuous and rapid technological change. The main purpose of the Green Paper, in setting out the broad lines of a Community-level policy in this area, is to initiate a wide-ranging debate on the future structure and organization of the telecommunications sector, with a view to reaching consensus on the direction, scope and timetable of the measures to be adopted by the Community and bringing into line the legislation introduced by Member States.

The Commission notes, first of all, the enormity of the economic stakes involved in the computerized telecommunications revolution, particularly with regard to jobs, inasmuch as by the end of the century up to 7% of the Community's GDP (as against some 2% at present) will be tied to the telecommunications industry. Likewise, about 60%

of jobs will be affected by telecommunications in the form of information technology. At the same time, the potential of the Community telecommunications market — which, with its 20% share of the world market, occupies a position midway between the Japanese market (11%) and the US market (35%) — is greatly underexploited. Accordingly, the Commission strongly advocates the creation of competitive market structures in the Community through gradual changes to the State monopolies, whose role has already been overtaken by the needs of users and the international nature of this challenge.

The Green Paper proposes a number of steps that should be taken — ranging, for example, from the phased opening-up to competition of the terminal equipment market to the separation of the regulatory and operational functions of public and private operators and the establishment of common positions in international bodies such as

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<sup>1</sup> COM(87) 290 final.

GATT and ITU. It also recommends the creation of a European team of experts to accelerate the standardization work required for an open, competitive market environment and the development of 'made in Europe' telecommunications based on 'open' standards.

This major document will have a key role to play in achieving consensus between the two sides of industry on the future of European telecommunications. After an initial policy discussion in October, the Commission expects to be presenting formal proposals before the end of the year.



**ACTIVITIES  
IN JUNE 1987**

# 1. Building the Community

## Economic and monetary policy

2.1.1. The 13th Western Economic Summit held in Venice from 8 to 10 June issued an important economic declaration (→ points 1.2.6 and 3.7.1 *et seq.*)

### Council

2.1.2. At its economic and financial affairs meeting on 15 June the Council heard interim reports from the Chairman of the Monetary Committee and the Chairman of the Committee of Governors of the Central Banks on the progress made by those two Committees in discussing the strengthening of the European Monetary System. At the close of an exchange of views, the Council requested the two Committees to continue their work on the subject and submit final reports in September.

The Council reached a majority position on the draft Directive on mutual recognition of the listing particulars which are to be used for the admission of securities to official stock exchange listing (→ point 2.1.85) and continued its discussions on the proposal for amending the Directive of 24 July 1973 on credit insurance and suretyship insurance (insurance other than life assurance) (→ point 2.1.83). Finally, it agreed in principle on a proposal for a Directive concerning legal expenses insurance (→ point 2.1.84).

In the budgetary field, the Council held a conciliation meeting with a delegation from Parliament on the draft Regulation amending the own resources Regulation and adopted the reference framework for the financial year 1988 (→ points 2.3.5 and 2.3.6).

### Economic situation

2.1.3. On 18 June Parliament adopted a resolution (→ point 2.4.19)<sup>1</sup> on the economic situation in 1987.<sup>2</sup>

## European Monetary System

### Operation of the EMS

2.1.4. On 16 June the Central Council of the Bundesbank decided to change the way it applies the rules of currency law to transactions subject to its authorization and to permit the private use of the ECU on the same terms as the use of foreign currencies.

The Commission issued the following statement on the move:

'The Commission welcomes the fact that the Federal Republic of Germany now recognizes the ECU in a manner enabling its residents to use it without restriction.

This is a step forward that will enable the ECU to be more widely used, especially in business. The Commission has always taken the view that wider use of the ECU by the business community is likely to ease the process of financial and monetary integration in Europe.

With this end in view, as was announced in the 'Programme for the liberalization of capital movements in the Community',<sup>3</sup> adopted last year, the Commission will soon be making proposals aimed at implementing the final stage of that programme.'

Portugal having permitted the ECU to be quoted on the Lisbon Stock Exchange since 15 September 1985, the ECU is now recognized on either a *de facto* or *de jure* basis by all Member States.

### Community borrowings

#### Six-monthly report

2.1.5. In accordance with the Council Decision of 19 April 1983 empowering it to contract loans under the New Community

<sup>1</sup> OJ C 190, 20.7.1987.

<sup>2</sup> OJ L 385, 31.12.1986; Bull. EC 10-1986, point 1.1.1 *et seq.*; Bull. EC 2-1987, point 2.1.2; Bull. EC 5-1987, point 2.1.2.

<sup>3</sup> Bull. EC 5-1986, point 1.2.1 *et seq.*; OJ C 229, 10.9.1986; Bull. EC 6-1986, point 1.3.1 *et seq.*; OJ L 332, 26.11.1986; Bull. EC 11-1986, point 1.1.1.



Instrument (NCI),<sup>1</sup> the Commission transmitted to the Council and to Parliament on 12 June its seventh six-monthly report<sup>2</sup> on the rate of utilization of NCI tranches (1 July to 31 December 1986).<sup>3</sup>

Effective authorizations for borrowing under NCI III<sup>1</sup> currently total 2 900 million ECU, with a margin of 100 million ECU held in reserve. The geographical breakdown of loans signed shows that the largest number of financings were in Italy (even if reconstruction operations are excluded), with France in second position. Taking total NCI loans signed for ordinary operations, there was an increasing shift in lending towards the productive sectors, in line with the priorities laid down for NCI III to assist small and medium-sized firms. In contrast, the proportion of loans signed under NCI III for the energy and infrastructure sectors showed a fall.

The eligibility decisions already taken by the Commission were, at the end of 1986, sufficient to use up all the resources authorized under the NCI. The Council therefore acted in March to set up an NCI IV to permit the granting of new loans totalling 750 million ECU.<sup>4</sup>

### Economic Policy Committee

2.1.6. The Economic Policy Committee held its 179th meeting at the end of May with Mr Milleron in the chair. It examined the current economic situation and the prospects for 1987 and 1988 and discussed the Community's agricultural policy from a macroeconomic viewpoint. Finally, it commented on the report drawn up by the study group chaired by Mr Padoa-Schioppa concerning a strategy for the evolution of the Community's economic system.<sup>5</sup>

## Internal market and industrial affairs

### Completing the internal market

2.1.7. The European Council, meeting on 25 and 30 June, identified the major internal

market issues on which decisions should be taken by the end of 1988: the opening of public contracts, the approximation of standards, completion of the liberalization of capital movements, insurance matters, mutual recognition of diplomas and the creation of a European company (→ point 1.1.4).

### Council

2.1.8. The last Council meeting on the internal market under the Belgian Presidency was held on 11 June. Considerable progress was made: the Council reached agreement on eight of the ten items on the agenda.

Three of the measures in question are designed to simplify customs procedures with regard to Community transit arrangements, customs debt and temporary importation of containers (→ points 2.1.58, 2.1.61 and 2.1.62). Pending the delivery of opinions by Parliament and the Economic and Social Committee, the Council established a common position on two proposals designed to simplify the type-approval of motor vehicles and their trailers (→ point 2.1.12). The other three items on which agreement was reached concerned simple pressure vessels, the sound power level of tower cranes (→ point 2.1.131) and public mobile communications (→ point 2.1.53). However, the Council was unable to reach agreement on the easing of border controls<sup>6</sup> or on the right of residence.<sup>7</sup> These items were referred to the Permanent Representatives Committee for further consideration.

<sup>1</sup> OJ L 112, 28.4.1983; Bull. EC 4-1983, point 2.1.8.

<sup>2</sup> COM(87) 258 final.

<sup>3</sup> Bull. EC 9-1986, point 2.1.1.

<sup>4</sup> OJ L 71, 14.3.1987; Bull. EC 3-1987, point 2.1.3.

<sup>5</sup> Bull. EC 4-1987, point 1.1.1 *et seq.*

<sup>6</sup> OJ C 47, 19.2.1985; Bull. EC 12-1984, point 2.1.9; OJ C 131, 30.5.1985; Bull. EC 5-1985, point 2.1.9.

<sup>7</sup> OJ C 207, 17.8.1979; Bull. EC 7/8-1979, point 2.1.14; OJ C 188, 25.7.1980; OJ C 171, 10.7.1985; Bull. EC 6-1985, point 2.1.15.

## Implementing the White Paper

2.1.9. In addition to the measures mentioned above, the Council also adopted important Directives that will make for completion of the internal market in the fields of insurance and securities (→ points 2.1.83 to 2.1.85). The Council approved two Directives referred to in the White Paper, concerning foodstuffs and animal feed (→ points 2.1.186 and 2.1.187).

## A people's Europe

### Civil protection

2.1.10. On 25 June the Council and the Representatives of the Governments of the Member States meeting within the Council adopted the resolution on the introduction of Community cooperation on civil protection<sup>1</sup> which they had approved on 25 May.<sup>2</sup>

### Free movement of persons and freedom to provide services

#### *Mutual recognition of diplomas and access to occupations*

### Dentists

2.1.11. The Advisory Committee on the Training of Dental Practitioners held the first meeting of its third term on 9 and 10 June. After election of the Chairman and two Vice-Chairmen the Committee established its programme of work, covering further training for dentists and the promotion of basic training of a comparably high level. The programme also included the preparation of a symposium in 1988.

The Committee heard two statements describing further training for dental practitioners in the Federal Republic of Germany and in Denmark.

## Free movement of goods

### *Removal of technical and administrative barriers to trade*

### Industrial products

2.1.12. On 25 June, following up the White Paper on completing the internal market,<sup>3</sup> the Council adopted, with Parliament's endorsement,<sup>4</sup> two Directives on motor vehicles and one Directive on wheeled agricultural and forestry tractors.

The first two Directives<sup>5</sup> amend the Council Directive of 23 February 1970 relating to the type-approval of motor vehicles and their trailers,<sup>6</sup> one seeking to simplify and reduce the paperwork passing between the national administrations responsible for type-approval when implementing Community directives<sup>7</sup> and the other introducing a definition of off-road vehicles which is necessary for the application of a number of separate directives.

The Directive on wheeled agricultural and forestry tractors<sup>8</sup> deals with roll-over protection structures incorporating two pillars and mounted in front of the driver's seat on narrow-track tractors and seeks to ensure safety at work and safety on the road by requiring such tractors to be fitted with a roll-over protection structure. The Council had signified its agreement to this Directive on 1 December 1986.<sup>9</sup>

2.1.13. On 25 June the Council adopted<sup>7</sup> three of the four proposals put up by the

<sup>1</sup> OJ C 176, 4.7.1987.

<sup>2</sup> Bull. EC 4-1987, point 2.1.5; Bull. EC 5-1987, point 2.1.8.

<sup>3</sup> Bull. EC 6-1985, point 1.3.1 *et seq.*

<sup>4</sup> OJ C 190, 20.7.1987.

<sup>5</sup> OJ C 48, 25.2.1987; Bull. EC 2-1987, point 2.1.9; OJ C 108, 23.4.1987; Bull. EC 4-1987, point 2.1.8.

<sup>6</sup> OJ L 42, 23.1.1970.

<sup>7</sup> OJ L 192, 11.7.1987.

<sup>8</sup> OJ C 222, 2.9.1985; Bull. EC 11-1984, point 2.1.10; Bull. EC 1-1987, point 2.1.9.

<sup>9</sup> Bull. EC 12-1986, 2.1.18.

Commission in December 1986<sup>1</sup> to amend existing Directives relating to the distinguishing letters assigned to the Member States, the design of the distinguishing letters and prepackaged liquids.

The purpose of the first two of these Directives, endorsed by Parliament this month,<sup>2</sup> is (i) to amend the existing Directives on technical barriers to trade in industrial products, assigning to Greece the letters EL instead of GR, and (ii) to amend the Directive of 26 July 1971 on measuring instruments and methods of metrological control,<sup>3</sup> adding letters for the new Member States (E for Spain, EL for Greece and P for Portugal) and replacing IR for Ireland by IRL.

The third Directive, endorsed by Parliament in May,<sup>4</sup> adds a new range of quantities for knitting and/or crocheting yarns to the Directive of 15 January 1980 relating to the ranges of nominal quantities and nominal capacities permitted for certain prepackaged products.<sup>5</sup>

2.1.14. On 25 June the Council adopted, with Parliament's endorsement,<sup>2</sup> the proposal for a Directive relating to simple pressure vessels.<sup>6</sup> This Directive represents the first application of the principles set out in the Council Resolution of 7 May 1985 concerning a new approach to technical harmonization and standards,<sup>7</sup> and therefore confines itself to laying down the essential safety requirements for simple pressure vessels. It covers two main categories of pressure vessel, namely compressed-air bottles and brake-fluid reservoirs for motor vehicles, and falls within the scope of the White Paper on completing the internal market.<sup>8</sup>

2.1.15. On 2 and 3 June the Commission adapted to technical progress<sup>9</sup> two Council Directives of 4 November 1976,<sup>10</sup> namely the Directive on the approximation of the laws of the Member States relating to electrical household appliances, portable tools and similar equipment, and the Directive on the approximation of the laws of the Member States relating to the suppression

of radio interference with regard to fluorescent lighting luminaires fitted with starters.

The adaptation consists in replacing the technical annexes by the Cenelec European standards, EN 55014 and EN 55015. This reference to standards confirms the greater role assigned to standardization in the process of opening up the internal market under the new approach introduced by the May 1985 Council Resolution.<sup>7</sup>

## Industry

### Industrial development in Portugal

2.1.16. On 26 May the Commission decided to use the appropriations in budget Article 772 (10 million ECU of commitment appropriations and 4 million ECU of payment appropriations for 1987) for a pilot project to assist small businesses in Portugal, in the form of interest subsidies to promote new investment in job creation. There are a number of original features about the method of financing the operation: the subsidy takes the form of a two-year grace period on interest (on a five-year loan), and local financial intermediaries will be responsible for the selection of projects on the basis of qualifying criteria laid down by the Commission. The Commission will have to be consulted about any project which involves a budgetary commitment of more than 100 000 ECU.

Preference will be given to projects assisting small firms (up to 50 employees) which have especially innovative products or processes to offer.

<sup>1</sup> OJ C 317, 10.12.1986; Bull. EC 12-1986, point 2.1.21.

<sup>2</sup> OJ C 190, 20.7.1987.

<sup>3</sup> OJ L 202, 6.9.1971.

<sup>4</sup> OJ C 156, 15.6.1987.

<sup>5</sup> OJ L 51, 25.2.1980.

<sup>6</sup> OJ C 89, 15.4.1986; Bull. EC 3-1986, point 2.1.13.

<sup>7</sup> OJ C 136, 4.6.1985; Bull. EC 5-1985, point 1.3.1.

<sup>8</sup> Bull. EC 6-1985, point 1.3.1 *et seq.*

<sup>9</sup> OJ L 155, 16.6.1987.

<sup>10</sup> OJ L 336, 4.12.1976; OJ L 247, 7.9.1983.

## Businesses

### Improving the business environment

#### Intellectual property

##### *Original topographies of semiconductor products*

2.1.17. On 26 June the Commission transmitted to the Council a proposal for a Decision on extension of legal protection of topographies of semi-conductor products in respect of persons from third States<sup>1</sup>

The purpose of this proposal is to extend protection on a temporary basis to persons from certain non-member countries so that unlimited reciprocal protection can be ensured during the period preceding effective implementation of the Directive of 16 December 1986.<sup>2</sup> The Decision would apply from 7 November 1987.

#### Public procurement

2.1.18. On 1 June the Commission altered<sup>3</sup> its proposal of 19 June 1986<sup>4</sup> amending the Council Directive of 21 December 1976 coordinating procedures for the award of public supply contracts<sup>5</sup> and deleting certain provisions of the Directive of 22 July 1980.<sup>6</sup> Most of the points added result from the renegotiation of the GATT Agreement on Government Procurement at the end of 1986.<sup>7</sup>

## Steel

### The Community steel industry

#### *Market management*

#### Crisis measures

##### *Organization of the steel market*

#### Restructuring

2.1.19. On 1 June the Council devoted most of its proceedings to examining prob-

lems arising out of the restructuring of the steel industry.<sup>8</sup>

It adopted the following conclusions:

'In accordance with the conclusions it had adopted at its meeting on 19 March 1987,<sup>9</sup> the Council heard the Commission's report on its talks with Eurofer and the undertakings and governments concerned. The Council confirmed that the rules of the code of aid currently in force had been fully complied with.

Together with the Commission, it noted that the closures currently proposed by the undertakings were not sufficient to resolve the difficulties arising from the existence of substantial surplus production capacity.

Whilst reaffirming that it was for the undertakings themselves to decide which plant had to be closed, the Council asked the Commission to put forward Community measures which might prompt those undertakings to reduce existing surplus capacity without jeopardizing the situation of undertakings which had become profitable again.

The Council and the Commission confirmed that alongside the rationalization of the European steel industry, accompanying measures to cover the social, occupational retraining and regional conversion aspects should be laid down, in compliance with the provisions on aid.

The Council noted that the Commission would submit proposals to it before the end of July covering all aspects of restructuring so that the Community steel industry might quickly become competitive again, in an orderly framework and in such a way as to keep to a minimum the regional and social consequences of unavoidable closures. These proposals would have to take account of the special interests of Spain and Portugal in accordance with the Accession Treaty and provide for measures aimed at harmonious integration for them.

In this connection, the Council noted the Commission's conclusion that, in the future, it would

<sup>1</sup> COM(87) 277 final.

<sup>2</sup> OJ L 24, 27.1.1987; Bull. EC 12-1986, point 2.1.33.

<sup>3</sup> OJ C 161, 19.6.1987.

<sup>4</sup> OJ C 173, 11.7.1986; Bull. EC 6-1986, points 1.2.1. to 1.2.6; Bull. EC 12-1986, point 2.1.36.

<sup>5</sup> OJ L 13, 15.1.1977.

<sup>6</sup> OJ L 215, 18.8.1980.

<sup>7</sup> Bull. EC 11-1986, point 2.2.54; Bull. EC 2-1987, point 2.2.41.

<sup>8</sup> Bull. EC 3-1987, point 2.1.20 *et seq.*; Bull. EC 4-1987, points 2.1.19 and 2.1.20; Bull. EC 5-1987, point 2.1.27.

<sup>9</sup> Bull. EC 3-1987, point 2.1.20a.

be possible to set up a simpler and more transparent quota system which would be updated in the light of actual situations and would include Community restructuring incentives.

The Council stressed the importance it attached to the implementation of the external aspects.

The Council agreed to take a decision on these questions at its meeting on 21 September 1987 on the basis of the Commission's proposals.'

### Forward programme

2.1.20. On 9 June the Commission sent the forward programme for steel for the third quarter of 1987 to the ECSC Consultative Committee for its opinion (→ point 2.4.28). An analysis of the economic situation indicates that the main risks continue to be associated with the exchange rate of the US dollar. Assuming that a further significant drop will be avoided, that the world debt problem will not turn into an acute crisis and that world trade will not be hampered more seriously by protectionism,

then exports from the Community may be expected to recover slowly later in the year. The prospects for the further smooth development of domestic demand are on the whole favourable: real disposable income of households may be expected to benefit as before from low inflation, and the liquidity and profit situation of undertakings remains favourable, so that real GDP should recover in the second half.

2.1.21. Turning to the situation in the steel sector, an estimated crude steel production of 28 million tonnes for the Community (i.e. the Twelve) means that production in the third quarter of 1987 was below the 31.3 million tonnes produced in the second quarter and the 29.07 million tonnes in the corresponding period the previous year.

This was mainly due to the fall in apparent steel consumption in the Community from 25.23 million tonnes in the third quarter of 1986 to 23.85 million during the same period this year. Estimated supply and demand are given in Table 1.

Table 1 — *Estimated steel supply and demand*  
(EUR 12)

	<i>million tonnes</i>						
	Outturn				Estimate		Forecast
	I/86	II/86	III/86	IV/86	I/87	II/87	III/87
Real consumption <sup>1</sup>	25.67	26.24	22.62	23.75	27.82	28.10	24.55 <sup>2</sup>
Stock change <sup>1</sup>	+ 1.50	- 0.50	+ 0.20	- 0.50	- 0.30	- 0.70	- 0.70 <sup>2</sup>
Apparent consumption	29.95	28.60	25.23	25.68	27.52	27.40	23.85
Imports	2.98	2.91	2.38	2.45	2.90	2.90	2.45
Exports	6.03	6.62	6.22	7.83	6.60	6.80	6.60
Production	33.00	32.32	29.07	31.06	31.22 <sup>2</sup>	31.30	28.00

<sup>1</sup> Figures for EUR 10.

<sup>2</sup> Provisional figures

The slight improvement in the second quarter over the first quarter of 1987 was not maintained in the third, which is always characterized by a seasonal slowdown. It is clear that, year on year, the main driver of further growth is sustained

demand for consumer durables, as the prospects for private sector consumption, and building in particular, are still good, Table 2 gives activity indicators for the Twelve, broken down by sector but not seasonally adjusted.

Table 2 — *Sector activity indicators<sup>1</sup> (not seasonally adjusted)*

Sector	III/86	I/87	II/87	III/87
Manufacture of metal articles	100.0	108.1	112.4	100.1
Mechanical engineering	100.0	103.4	110.0	99.8
Electrical engineering	100.0	112.2	115.8	104.0
Motor vehicles	100.0	119.4	124.1	102.9
Other means of transport	100.0	119.4	124.1	102.9
Building and civil engineering	100.0	—	—	— <sup>2</sup>

<sup>1</sup> These indexed forecasts of the level of activity of various steel-consuming sectors indicate trends quarter by quarter. They are derived by weighting the national data provided by the trade associations of the principal steel-consuming industries.

<sup>2</sup> Reliable indices are not available because of lack of national data.

Table 3 gives, in terms of crude steel equivalent, the trend in apparent steel consump-

tion by Member State, excluding any stock changes.

Table 3 — *Apparent steel consumption by Member State*

Member State	<i>million tonnes</i>			
	I/1986	II/1986	III/1986	IV/1986
Belgium/Luxembourg	1.20	1.10	1.20	1.00
Denmark	0.40	0.40	0.40	0.30
Germany (FR)	9.30	9.20	8.60	7.10
Greece	0.50	0.45	0.20	0.70
Spain	2.60	2.55	2.10	2.10
France	4.10	4.00	3.20	3.60
Ireland	0.10	0.10	0.05	0.10
Italy	6.90	6.50	5.50	5.90
Netherlands	1.10	0.80	0.80	0.80
Portugal	0.30	0.30	0.30	0.30
United Kingdom	3.80	3.30	2.90	3.70
EUR 12	30.30	28.70	25.25	25.60

The trend in production and production quotas by product category is shown in Table 4.

2.1.22. Prices have stabilized, and even risen slightly in the case of flat products.

Table 4 — *Production and production quotas by product category*

Product category	Production (Rolled finished products)			Production quota				
	II/86	III/86	IV/86	III/86 <sup>1</sup>	IV/86 <sup>2</sup>	I/87 <sup>2</sup>	II/87 <sup>2</sup>	III/87 <sup>3</sup>
	Ia Hot-rolled coil	5 520	4 948	5 079	4 874	3 580	3 533	3 753
Ib Cold-rolled sheet	3 521	3 147	3 226	3 105	2 943	3 050	3 284	2 991
Ic Galvanized sheet	956	759	890	857	816	— <sup>4</sup>	— <sup>4</sup>	— <sup>4</sup>
Id Other coated sheet	1 054	957	1 041	— <sup>4</sup>	— <sup>4</sup>	— <sup>4</sup>	— <sup>4</sup>	— <sup>4</sup>
II Quarto plate	1 237	1 011	1 187	1 220	1 293	1 206	1 184	1 140
III Heavy sections	1 170	993	1 126	1 100	955	955	1 044	1 022
IV Wire rod	2 825	2 534	2 761	2 704	2 205	2 283	2 283	2 171
V Reinforcing bars	1 910	1 747	1 904	— <sup>4</sup>	— <sup>4</sup>	— <sup>4</sup>	— <sup>4</sup>	— <sup>4</sup>
VI Merchant bars	2 109	1 702	1 938	2 278	2 038	2 014	1 978	1 905

<sup>1</sup> Without the latest supplements.

<sup>2</sup> Base quotas without supplements or other adjustments.

<sup>3</sup> Theoretical quotas without supplements or other adjustments

<sup>4</sup> Products withdrawn from the system (see Bull. EC 1-1986, point 2.1.12; Bull. EC 12-1986, point 2.1.42).

This is due to greater activity in certain steel-using industries and more stable import prices. The Commission has had to revise basic prices for imports<sup>1</sup> of commercial plate on the basis of production cost movements.

2.1.23. It is possible that international trade will slacken somewhat. Nevertheless, exchange rates for the currencies of the Twelve and the firm Community prices will ensure that the Community remains one of the few attractive markets open to steel imports. In the main export markets prospects are slightly less bleak than this time last year.

2.1.24. As the effects of restructuring differ from one Member State to the next, so too will there be differences in the employment situation; the rate of workforce shrinkage could increase again: it is not likely to be less than 6% in the third quarter and could even approach 8% towards the end of the year.

For Member States for which comparable figures are available, Table 5 gives figures for the number of workers affected by short-term working for one year.

<sup>1</sup> Bull. EC 4-1987, point 2.1.29.

Table 5 — *Steel industry workers affected by short-time working*  
(over 12 months ending April 1987)

	B	D	F	I	L	UK
1986 April	3 040	2 368	231	5 287	333	543
May	2 485	5 812	80	5 144	321	260
June	2 361	5 520	285	5 290	305	410
July	1 780	6 825	508	3 747	298	278
August	1 195	8 305	109	3 428	274	94
September	2 332	7 162	6	5 052	528	581
October	1 687	10 601	435	5 279	312	533
November	2 530	18 673	600	4 435	300	348
December	25 622	5 082	1 007	3 869	305	285
1987 January	2 894	18 936	2 394	6 620	346	612
February	2 487	8 556	2 927	5 371	349	—
March	1 824	6 782	2 528	4 611	352	—
April	2 346	9 300	802	3 962	237	—

## Social measures

### *1987 social measures for the steel industry*

2.1.25. On 10 June the Commission decided to allocate 34 million ECU to support social measures in the steel industry to be implemented in 1987 (→ point 2.1.19). Without prejudice to decisions to be taken in respect of market, industrial, social and regional policy for the industry when comprehensive arrangements for 1988-90 are made, the Commission thus ensured, from the ECSC resources available to it, some degree of continuity in the social measures for steel, EEC funds for which were refused by the Council in December 1986.<sup>1</sup>

The funds will supplement Community assistance in the form of 'traditional' retraining subsidies, allocations for which are about to be increased from 150 to 224 million ECU. This will make it possible to finance or part-finance early retirement and/or retraining measures for workers losing their jobs in 1987 as a result of decisions to undertake further restructuring.

## Research

### *Technical research*

2.1.26. On 24 June the Commission adopted a Decision on the implementation of the programme of 16 pilot/demonstration projects and 18 technical research projects. The ECSC Consultative Committee has been consulted and the Council's assent requested in accordance with Article 55 of the ECSC Treaty. The ECSC's main objectives are to get a better return on steel production and finishing costs, to obtain greater standardization of, and better, quality and to promote steel consumption in Community and export markets.

### *Social research*

2.1.27. On 26 June the Commission decided to allocate a total of 1 007 700 ECU to seven research projects coming under the fourth ECSC medical research programme on the effects on the health of workers of physical and other occupational factors at the workplace.<sup>1</sup>

<sup>1</sup> Bull. EC 10-1981, point 2.1.67.



2.1.28. On the same date it also granted a total of 2 808 000 ECU in financial aid to 14 research projects coming under the fifth research programme on technical control of nuisances and pollution at the place of work and in the environment of iron and steel works.<sup>1</sup>

## Trade with non-member countries

### *Imports*

#### Autonomous measures

2.1.29. The Representatives of the Governments of the ECSC Member States meeting within the Council adopted a Decision on 1 June renewing the autonomous steel quotas for State-trading countries in 1987. The amounts are unchanged from last year, in line with the ECSC commercial policy guidelines laid down by the Council when, on 15 December 1986, it approved the Directives governing negotiations with non-Community countries for 1987.<sup>2</sup>

2.1.30. On 9 June the Council adopted a Regulation increasing the volume of the Community tariff quota, opened for 1987, for ferro-chromium containing not less than 6% by weight of carbon.<sup>3</sup>

2.1.31. On 25 June the Representatives of the Governments of the Member States meeting within the Council extended<sup>4</sup> till the end of the year their decision of 2 March on the opening of a zero-duty tariff quota in respect of 1 500 tonnes of laser-irradiated, grain-oriented electrical sheet and plate for the Federal Republic of Germany.<sup>5</sup>

2.1.32. The Commission decided to open quotas for zinc-coated steel wire (CCT ex 73.14, Nimexe code 73.14-11) between Italy and the People's Republic of China.<sup>6</sup>

2.1.33. On 2 June the Commission suspended the application of the definitive anti-dumping duty on imports of certain iron

or steel coils for re-rolling originating in Venezuela.<sup>7</sup>

2.1.34. Under the Decision establishing ceilings and Community supervision,<sup>8</sup> the Commission published a notice<sup>9</sup> to the effect that the relevant ceiling had been reached in respect of certain sections and sheet piling originating in Yugoslavia and that therefore customs duties for these products were to be re-established from 15 June.

2.1.35. On 18 June the Commission gave all the Member States<sup>10</sup> and on 25 June gave Denmark<sup>11</sup> a further authorization to derogate from Recommendation No 1-64 concerning an increase in the protective duty on iron and steel products at the external frontiers of the Community<sup>12</sup> to run from 1 January to 30 June 1987.

2.1.36. On 24 June the Commission authorized<sup>13</sup> Member States to institute intra-Community surveillance of the importation for home use of certain iron and steel products originating in certain non-member countries which are in free circulation in another Member State. This authorization renews the Decision of July 1986 to establish a licensing system purely for statistical purposes to avoid creating obstacles to intra-Community trade<sup>14</sup>

2.1.37. On 26 June the Commission authorized the United Kingdom Government to prohibit indirect imports of all products coming under CCT subheadings 73.08 A and 73.08 B originating in the Soviet Union.

<sup>1</sup> OJ C 338, 31.12.1985; Bull. EC 12-1985, point 2.1.35.

<sup>2</sup> Bull. EC 12-1986, point 2.1.55.

<sup>3</sup> OJ L 152, 12.6.1987.

<sup>4</sup> OJ L 192, 11.7.1987.

<sup>5</sup> Bull. EC 3-1987, point 2.1.36.

<sup>6</sup> OJ C 158, 16.6.1987.

<sup>7</sup> OJ L 143, 3.6.1987.

<sup>8</sup> OJ L 380, 31.12.1986.

<sup>9</sup> OJ C 154, 12.6.1987.

<sup>10</sup> OJ L 195, 16.7.1987.

<sup>11</sup> OJ L 194, 15.7.1987.

<sup>12</sup> OJ 8, 22.1.1964; OJ L 285, 7.10.1981.

<sup>13</sup> OJ L 201, 22.7.1987.

<sup>14</sup> OJ L 233, 20.8.1986; Bull. EC 7/8-1986, point 2.1.32.

2.1.38. On 30 June the Commission sent the Council two draft Decisions for assent. They lay down the amount of ECSC steel products originating in Spain and Portugal which may be delivered in the rest of the Community market.

#### *Accession-related measures*

2.1.39. On 29 June the Commission adopted a Decision for the advance implementation (on 1 July 1987) of the protocol of accession of Spain and Portugal to the third Lomé Convention in respect of ECSC products<sup>1</sup> (→ point 2.2.37).

2.1.40. On 23 June the Commission presented a draft Decision to the Representatives of the Governments of the ECSC Member States meeting within the Council for the advance implementation of the technical protocols to the cooperation agreements with Algeria, Egypt, Jordan, Lebanon, Tunisia and Turkey consequent upon the accession of Spain and Portugal<sup>2</sup> (→ point 2.2.16).

## Research and technology

### Community R&D policy

2.1.41. The European Council of 29 and 30 June adopted conclusions on continuing research during 1987 pending adoption of the new framework programme (1987-91) (→ point 1.1.8).

#### **New technologies and the European Parliament**

2.1.42. On 17 June Parliament adopted a second resolution on Europe's response to the modern technological challenge (→ point 2.4.19).<sup>3</sup>

#### *Stimulation of European scientific and technical cooperation and interchange*

2.1.43. Under the plan to stimulate European scientific and technical cooperation

and interchange (1985-88),<sup>4</sup> a preparatory meeting to launch the general research project known as Brain (Basic research in adaptive intelligence and neurocomputing)<sup>5</sup> was held in Brussels on 1 June.

The aim of the Commission representatives, heads of laboratories, members of the working group responsible for preparing the project and various experts attending this meeting was to identify more closely the various lines of research to be followed under the project, and the financial and administrative conditions in which the project could be carried out.

#### *International cooperation*

### COST

2.1.44. On 20 June Norway signed the memorandum of understanding concerning COST project 309 (Road meteorology and maintenance conditions), while on 26 June Sweden signed memoranda of understanding concerning COST projects 73 (Weather radar networking) and 306 (Automatic transmission of transport data).

### Sectoral R&D activities

#### *Energy*

#### **Nuclear fusion energy**

2.1.45. On 2 June the Council authorized the Commission to negotiate a cooperation agreement between the European Atomic Energy Community and Japan in the field of controlled thermonuclear fusion.<sup>6</sup>

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<sup>1</sup> OJ L 172, 30.6.1987.

<sup>2</sup> COM(87) 263 final.

<sup>3</sup> OJ C 190, 20.7.1987. First resolution: OJ C 288, 11.11.1985; Bull. EC 10-1985, points 2.5.8 and 2.5.21.

<sup>4</sup> OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

<sup>5</sup> Bull. EC 2-1987, point 2.1.31.

<sup>6</sup> Bull. EC 2-1987, point 2.1.34.

2.1.46. Likewise on 2 June the Council adopted, on a proposal from the Commission,<sup>1</sup> a Decision approving a third set of amendments<sup>2</sup> to the Statutes of the Joint European Torus (JET) Joint Undertaking,<sup>3</sup> consequent upon the accession of Spain and Portugal to the Community.

### Non-nuclear energy

2.1.47. Meeting in Brussels on 11 June, the Management and Coordination Advisory Committee on Non-nuclear Energy discussed the status of the Community research programme in the field of non-nuclear energy (1985-88),<sup>4</sup> reviewing in particular the existing scope for financing a number of new research projects. It also made a start on defining the broad lines of the next research programme in the field of non-nuclear energy which would be taking over from the existing programme.

### Industry

#### New technologies

##### *Biotechnology*

2.1.48. On 18 June, as part of the Fourth European Congress on Biotechnology, the Commission held a round-table meeting in Amsterdam on the subject of 'Biotechnology in the EEC: strategy and practice', at which the various aspects of Community action in this field, particularly under the research action programme in the field of biotechnology (BAP) (1985-89),<sup>5</sup> were discussed. The Commission also provided financial assistance to enable young European research workers, particularly those eligible under the training section of this programme, to attend the Congress.

#### *Health and safety*<sup>6</sup>

#### Radiation protection

2.1.49. As part of the Community research programme on radiation protection (1985-

89),<sup>7</sup> the Commission, in conjunction with the Risø National Laboratory, held a European workshop on the consequences of accidental contamination of the urban environment at Roskilde, Denmark, from 9 to 12 June.

Some 100 scientists from 18 different countries attended the workshop, the aim of which was to take stock of current knowledge concerning the evaluation of the radiological impact on the urban environment of an accidental release of radioactivity into the atmosphere. The participants came to the conclusion that evaluations carried out so far overestimated the scale of the deposition of radionuclides liable to be dispersed in the urban environment in such an eventuality.

#### Social research in the coal industry

2.1.50. On 26 June the Commission, acting under Article 55 of the ECSC Treaty, decided to allocate 2 164 500 ECU of financial aid to 15 projects under the research programme on industrial hygiene in mines<sup>8</sup> and 2 133 900 ECU to 15 projects under the second research programme on safety in mining.<sup>9</sup>

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#### Space

2.1.51. On 17 June Parliament adopted a resolution on European space policy<sup>10</sup> (→ point 2.4.19).

<sup>1</sup> Bull. EC 4-1987, point 2.1.37.

<sup>2</sup> OJ L 145, 5.6.1987. Earlier amendments: OJ L 213, 21.8.1979; OJ L 164, 23.6.1983.

<sup>3</sup> OJ L 151, 7.6.1978; Bull. EC 5-1978, point 2.1.109.

<sup>4</sup> OJ L 83, 25.3.1985; Bull. EC 12-1984, point 1.7.1.

<sup>5</sup> OJ L 83, 25.3.1985; Bull. EC 12-1987, points 1.7.1 and 1.7.2.

<sup>6</sup> For social research in the steel industry, see points 2.1.27 and 2.1.28.

<sup>7</sup> OJ L 83, 25.3.1985; Bull. EC 3-1985, point 2.1.141.

<sup>8</sup> OJ C 332, 8.12.1983; Bull. EC 11-1983, point 2.1.199.

<sup>9</sup> This programme was adopted by the Commission in 1982 and 12.5 million ECU has been allocated to it.

<sup>10</sup> OJ C 190, 20.7.1987.

## Telecommunications, information technology and innovation

### Telecommunications

#### Green Paper

2.1.52. On 10 June the Commission approved the Green Paper on telecommunications, which is essentially intended to initiate a far-reaching debate throughout the industry on its future structure and organization (→ point 1.4.1).

#### Public pan-European digital mobile communications

2.1.53. On 25 June the Council approved two proposals<sup>1</sup> — one for a recommendation and one for a directive — aimed at facilitating the transition from the incompatible systems currently operating in the Community to a single Community-wide cellular digital mobile communications system.<sup>2</sup>

Mr Karl-Heinz Narjes, the Commission Vice-President with special responsibility for information technology, welcomed this as evidence of the Member States' 'increasing awareness of the crucial importance for Europe of taking its own decisions in the area of technological innovation'.

### Information technology

#### Esprit programme

2.1.54. On 22 June Mr Narjes, on behalf of the Commission, received representatives of a dozen large European information technology and telecommunications companies, who warned that any further delay with the second phase of the Esprit programme<sup>3</sup> could accelerate the current 'haemorrhage' of researchers being lost to the programme and cancel out European industry's relative advantage in the areas in question. They

urged, therefore, that a positive decision be taken without delay on the framework programme of Community activities in the field of research and technological development.<sup>4</sup>

### Combined use of IT and telecommunications in general applications

2.1.55. Acting on a proposal from the Commission,<sup>5</sup> the Council on 1 June decided<sup>6</sup> to extend until the end of 1992 the initial period of validity of its Decisions of 26 March 1985<sup>7</sup> and 4 February 1986<sup>8</sup> on, respectively, cooperation in the automation of data and documentation for imports/exports and agriculture (Caddia) and the coordinated development of computerized administrative procedures (the CD project).

### Promotion of innovation

#### Sprint programme

2.1.56. On a proposal from the Commission,<sup>9</sup> the Council on 9 June amended<sup>10</sup> its Decision of 25 November 1983 on a strategic programme for innovation and technology transfer (Sprint).<sup>11</sup> The new Decision extends the programme for another two years (1987-88) and allocates it a further 8.6 million ECU.

Through the evaluation of the results obtained and experience gained during it, this extension will serve as a definition

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<sup>1</sup> OJ L 196, 17.7.1987.

<sup>2</sup> OJ C 69, 17.3.1987; Bull. EC 2-1987, point 2.1.38.

<sup>3</sup> Bull. EC 5-1986, point 2.1.39.

<sup>4</sup> OJ C 275, 31.10.1986; Bull. EC 7/8-11986, point 1.2.1 *et seq.*

<sup>5</sup> OJ C 55, 3.3.1987; Bull. EC 2-1987, point 2.1.40.

<sup>6</sup> OJ L 145, 5.6.1987.

<sup>7</sup> OJ L 96, 3.4.1985; Bull. EC 3-1985, point 2.1.23.

<sup>8</sup> OJ L 33, 8.2.1986; Bull. EC 2-1986, point 2.1.45.

<sup>9</sup> OJ C 335, 30.12.1986; Bull. EC 10-1986, point 2.1.53.

<sup>10</sup> OJ L 153, 13.6.1987; Bull. EC 3-1987, point 2.1.55.

<sup>11</sup> OJ L 353, 15.12.1983; Bull. EC 10-1983, point 2.1.32.

phase for a new five-year programme (1989-93).

### European Design Prize

2.1.57. The jury of the European Design Prize<sup>1</sup> met on 5 and 6 June in Copenhagen to designate the three winners of this first Community-sponsored design award. Selected from among 36 submissions from small and medium-sized firms in the Member States, the winning projects will be presented throughout the Community by means of a travelling exhibition.

## Customs union and indirect taxation

### Customs union

#### *Simplification of customs formalities*

#### Community transit

2.1.58. A Council Regulation dated 11 June<sup>2</sup> based on a proposal from the Commission<sup>3</sup> amending the Regulation of 13 December 1976 on Community transit<sup>4</sup> makes the Community transit guarantee system considerably more flexible. As a result of this amendment, the basis for which is to be found in the White Paper on completing the internal market,<sup>5</sup> the guarantee can be waived for internal Community transit operations concerning goods whose total value does not exceed 50 000 ECU or which do not present increased risks on account of the level of duties and other charges to which they are subject. The new Regulation will enter into force on 1 July 1988.

#### Common transit

2.1.59. On 15 June the Council, acting on a proposal from the Commission,<sup>6</sup> adopted a Decision concluding a Convention

between the Community and the EFTA countries setting up common transit arrangements between the Community and the EFTA countries and among the EFTA countries themselves. The Convention was signed in Interlaken on 20 May and should enter into force on 1 January 1988.

### Customs formalities under the TIR Convention

2.1.60. On 3 June the Commission adopted a Regulation<sup>7</sup> laying down detailed rules for the application of the Council Regulation of 1 December 1986 concerning the abolition within the framework of the TIR Convention of customs formalities on exit from a Member State at a frontier between two Member States.<sup>8</sup> The simplifications introduced by the Regulation will have effect from 1 July.

### *General legislation*

#### Customs debt

2.1.61. On 11 June the Council approved a Regulation on customs debt.<sup>9</sup> From 1 January 1989 this Regulation will replace the Directive of 25 June 1979,<sup>10</sup> strengthening it in the light of experience gained since 1979 and developments in customs law in other fields. It will provide greater certainty for members of the public and reflect more appropriately the importance of this matter.

The Regulation stipulates that the actual introduction into the Community of goods subject to an import ban or restriction — narcotics excluded, as a rule — causes a

<sup>1</sup> Bull. EC 2-1987, point 2.1.42.

<sup>2</sup> OJ L 157, 17.6.1987.

<sup>3</sup> OJ C 241, 26.9.1979; partially adopted on 15 December 1981 (see OJ L 383, 31.12.1981; Bull. EC 12-1981, point 2.1.21).

<sup>4</sup> OJ L 38, 9.2.1977.

<sup>5</sup> Bull. EC 6-1985, point 1.3.1 *et seq.*

<sup>6</sup> Bull. EC 5-1987, point 2.1.55.

<sup>7</sup> OJ L 144, 4.6.1987.

<sup>8</sup> OJ L 341, 4.12.1986; Bull. EC 12-1986, point 2.1.81.

<sup>9</sup> OJ C 261, 29.9.1984; Bull. EC 9-1984, point 2.1.24.

<sup>10</sup> OJ L 179, 17.7.1979.

customs debt to be incurred. It also provides that a customs debt on exportation is incurred even if the goods in question are subject to an export ban — again with the exception of narcotics — where, as a result of an unlawful act, those goods actually leave the customs territory of the Community. On the other hand, customs debt on importation is extinguished in respect of prohibited goods where they are seized by the customs authorities and confiscated.

In determining the situations in which a customs debt is incurred, the new Regulation takes account of the Regulation of 21 December 1982 on temporary importation arrangements,<sup>1</sup> which provides in certain cases for the use of such customs arrangements with partial relief from import duties. The Regulation also covers cases where a customs debt is incurred in respect of goods worked under the inward processing procedure,<sup>2</sup> both in trade with EFTA countries and on the accession of new Member States to the Community.

### *Customs procedures with economic impact*

#### **Temporary importation**

2.1.62. On 11 June the Council approved a Regulation concerning arrangements for the temporary importation of containers.<sup>3</sup>

These arrangements permit the importation into the customs territory of the Community of containers, particularly those so defined in Article 1(c) of the 1972 Customs Convention on Containers, free of import duties, without prohibitions or restrictions, without any customs documentation on import or re-export and, in general, without any guarantee being required. Containers temporarily imported into the customs territory of the Community must be re-exported within 12 months unless special circumstances justify an extension to this period.

## **Common Customs Tariff**

### **Nomenclature**

#### *Tariff and statistical nomenclature*

2.1.63. In June Parliament delivered a favourable opinion<sup>4</sup> on the proposal for a Regulation on the tariff and statistical nomenclature and on the Common Customs Tariff.<sup>5</sup> This opinion, which Parliament had agreed to treat as a matter of urgency, opens the way for a rapid decision from the Council, which is eagerly awaited by the business circles concerned.

2.1.64. The Office for Official Publications of the European Communities published the full version of the new combined nomenclature this month.<sup>5</sup> It includes a concordance table designed to help administrative authorities and international traders classify goods under the new nomenclature, which is to apply from 1 January 1988.

### *Economic tariff matters*

#### **Suspensions**

2.1.65. In June the Council adopted a Regulation temporarily suspending CCT duties on a number of industrial products,<sup>6</sup> and a Regulation temporarily suspending the CCT duties on certain white beans falling within subheading ex 07.05 B I.<sup>7</sup>

#### **Tariff quotas<sup>8</sup>**

2.1.66. In June the Council adopted a number of Regulations opening, allocating and providing for the administration of

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<sup>1</sup> OJ L 376, 31.12.1982; Bull. EC 12-1982, point 2.1.31.

<sup>2</sup> OJ L 188, 20.7.1985; Bull. EC 7/8-1985, point 2.1.40.

<sup>3</sup> OJ C 4, 7.1.1984; Bull. EC 12-1983, point 2.1.26.

<sup>4</sup> OJ C 190, 20.7.1987.

<sup>5</sup> OJ C 154, 12.6.1987; Bull. EC 5-1987, point 2.1.59.

<sup>6</sup> OJ L 177, 1.7.1987.

<sup>7</sup> OJ L 176, 1.7.1987.

<sup>8</sup> For iron and steel products and beef and veal, see points 2.1.29 to 2.1.32. and 2.1.171.

Community tariff quotas for the following products:

certain eels falling within CCT subheading ex 03.01 A II (from 1 July 1987 to 30 June 1988);<sup>1</sup>

certain magnesium grades falling within CCT subheading ex 77.01 A;<sup>1</sup>

certain wines (Sherry, Malaga, Jumilla, Priorato, Rioja and Valdepeñas) falling within CCT subheading 22.05 C, originating in Spain;<sup>2</sup>

certain wines having a registered designation of origin falling within CCT subheading ex 22.05 C, originating in Morocco (1987-88);<sup>3</sup>

rum, arrack and tafia falling within CCT subheading 22.09 C I, originating in the ACP States (1987-88);<sup>4</sup>

rum, arrack and tafia falling within CCT subheading 22.09 C I, originating in the OCTs (1987-88);<sup>4</sup>

polyvinylpyrrolidone for use in the pharmaceutical industry falling within CCT subheading ex 39.02 C XIV a) (second half of 1987);<sup>2</sup>

certain polyester films for use in the manufacture of video tapes falling within CCT subheading ex 39.01 C III a) (second half of 1987);<sup>2</sup>

apricot pulp falling within CCT subheading ex 20.06 B II C I aa), originating in Turkey;<sup>3</sup>

certain fishery products;<sup>5</sup>

deep-frozen fillets and minced blocks of Alaska pollack (*Theragra chalcogramma*) and certain species of hake falling within CCT subheadings ex 03.01 B I n) 2, ex 03.01 B II b) 17, ex 03.01 B I t) 2 and ex 03.01 B II b).<sup>5</sup>

### Community surveillance of imports

2.1.67. On 30 June the Commission adopted a Regulation establishing ceilings and Community surveillance for imports of iceberg lettuce (*Lactuca sativa* L, var. *capitata*) and walnuts falling within CCT subheadings ex 07.01 D II and ex 08.05,

originating in the ACP States and the OCTs (1987).<sup>6</sup>

## Indirect taxation

### Turnover taxes

2.1.68. On 25 June, in the light of the opinion delivered by Parliament,<sup>7</sup> the Commission amended<sup>8</sup> its proposal for an 18th Council Directive on the harmonization of the laws of the Member States relating to turnover taxes,<sup>9</sup> which concerns the elimination of certain derogations provided in Article 28(3) of the Council Directive of 17 May 1977 on value-added tax.<sup>10</sup>

2.1.69. On 4 June the Commission sent the Council a communication<sup>11</sup> on the application of Article 27 of the sixth Council Directive of 17 May 1977<sup>10</sup> to a request for a derogation made by the United Kingdom Government.

The United Kingdom request concerns a two-year extension of the derogation<sup>12</sup> granted on 13 June 1985 authorizing the application, for the purpose of combating tax avoidance, of a special system for collecting value-added tax in cases where the marketing structure of certain firms is based on the sale of their products to unregistered resellers.

Since neither the Commission nor a Member State had requested that the matter be raised within the time laid down in Article 27(4), the Council Decision was deemed to have been adopted on 25 May.<sup>13</sup>

<sup>1</sup> OJ L 152, 12.6.1987.

<sup>2</sup> OJ L 176, 1.7.1987.

<sup>3</sup> OJ L 153, 13.6.1987.

<sup>4</sup> OJ L 173, 30.6.1987.

<sup>5</sup> OJ L 163, 23.6.1987.

<sup>6</sup> OJ L 174, 1.7.1987.

<sup>7</sup> OJ C 125, 11.5.1987; Bull. EC 4-1987, point 2.1.55.

<sup>8</sup> OJ C 183, 11.7.1987; COM(87) 272 final.

<sup>9</sup> OJ C 347, 29.12.1984; Bull. EC 12-1984, point 2.1.77.

<sup>10</sup> OJ L 145, 13.6.1977; Bull. EC 6-1977, points 1.3.1 to 1.3.4.

<sup>11</sup> COM(87) 247 final.

<sup>12</sup> OJ L 199, 31.7.1985; Bull. EC 6-1985, point 2.1.56.

<sup>13</sup> OJ L 188, 8.7.1987.

2.1.70. On 30 June the Commission sent the Council and Parliament a report<sup>1</sup> on the operation, in 1985, of the mechanism introduced by the 20th Council Directive of 16 July 1985<sup>2</sup> authorizing the Federal Republic of Germany to use, by way of derogation from the sixth Directive,<sup>3</sup> VAT as an instrument for granting special aid to farmers to compensate for the dismantling of monetary compensatory amounts.

The Commission emphasized that both its own calculations and those of the German authorities showed that the special aid provided slight overcompensation for the losses incurred by German farmers as a result of the revaluation of the German mark's 'green rate'. However, it recognized that German legislation was consistent with the terms of the 20th Directive and indicated that it had no reason to believe that the smooth operation of agricultural markets was disrupted by the aid.

2.1.71. During its June part-session Parliament expressed its general approval<sup>4</sup> of the proposal<sup>5</sup> for amending Article 27 of the Council Directive of 17 May 1977<sup>3</sup> in respect of the special scheme applicable to small and medium-sized businesses.

However, Parliament wished to see the period during which Member States may apply an exemption to small and medium-sized businesses whose turnover is between 10 000 and 35 000 ECU restricted to the first three years following the entry into force of the new Directive.

## Competition

### General rules applying to businesses

#### Proposed block exemption for franchising agreements

2.1.72. On 24 June the Commission gave preliminary approval to a draft block exemption from the EEC competition rules

for franchising agreements. Franchising is a form of business arrangement that has grown tremendously in the Community in recent years. In franchising, the developer of a successful formula for a business licenses independent firms or individuals to use his methods, name and trade marks in running their own business according to the tried formula. The resulting network of outlets, which are usually decorated in a uniform style, forms a recognizable chain with a distinct brand image. Franchising is especially common in the fast food, hotel and car hire businesses and in sectors of retailing.

The growth of franchising has brought a need to establish the lawfulness or otherwise under the EEC competition rules of the various types of restrictions that are usually involved in franchising agreements.

The Commission's view is that franchising is basically beneficial because it stimulates new economic activity, growth and employment and increases inter-brand competition. For the franchisor it provides a means of establishing an extensive distribution network for his branded product or service without major investment, which many small franchisors would be unable to afford. For franchisees, franchising is a route to starting up in business with less risk because they are operating a tried system and receive assistance from the franchisor. Consumers benefit both from the increased inter-brand competition created by the entry of a new competitor onto the market and from the combination of a uniform product and standard of service and the personal commitment of the franchisee to making his business a success.

The Commission therefore considers that most franchising agreements fulfil the conditions for an exemption from Article 85(1)

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<sup>1</sup> COM(87) 292 final. Previous report: Bull. EC 5-1986, point 2.1.63.

<sup>2</sup> OJ L 192, 24.7.1985; Bull. EC 7/8-1985, point 2.1.74.

<sup>3</sup> OJ L 145, 13.6.1977; Bull. EC 6-1977, points 1.3.1 to 1.3.4.

<sup>4</sup> OJ C 190, 20.7.1987.

<sup>5</sup> OJ C 272, 28.10.1986; Bull. EC 7/8-1986, point 2.1.89.



of the EEC Treaty prohibiting restrictive practices and proposes to issue a block exemption Regulation for them under enabling legislation enacted in 1965 (Council Regulation No 19/65) for the block exemption of agreements licensing intellectual property.

To ensure that intra-Community trade is not restricted more than necessary and that franchising is not used to divide markets or indeed as a cover for impermissible restraints of competition between firms, the Regulation will lay down conditions for franchising agreements if they are to be covered by the block exemption.

The exemption will only apply to franchises for distribution or services, not to 'franchises' for manufacturing, which are quite different and usually involve the licensing of patents, know-how and/or trade marks. It will list the restrictions of competition commonly found in franchising agreements which the Regulation exempts, other clauses that are not usually restrictive of competition but are exempted if they do, and clauses which would prevent the exemption applying (the 'black list'). An 'opposition' procedure will also be provided for the rapid clearance of agreements containing clauses of types not specifically exempted but not containing any of the blacklisted clauses.

To prevent franchising systems isolating national markets from one another, the Regulation will require agreements to leave scope for parallel imports by allowing franchisees to buy stock from one another, or from other authorized dealers if the franchising system is combined with a selective distribution system, and by requiring them to honour the guarantees on products bought from other franchisees. Another safeguard is that although franchisees can be bound by the contract not to deal in competing products, they must be allowed to invest in competing businesses as long as they do not control them or are personally involved in their management, for example as a director.

Mr Sutherland, the Member of the Commission with special responsibility for com-

petition policy, has been authorized to consult the Member States on the draft block exemption Regulation through the Advisory Committee on Restrictive Practices and Monopolies.

### **Restrictive practices, mergers and dominant positions: specific cases**

#### **Abuse of a dominant position**

2.1.73. After the Commission had acted rapidly in response to a complaint, the Belgian national airline Sabena announced that it would allow the British independent airline London European access to its Saphir computerized booking system. London European, which started services on the Luton-Brussels route on 22 May, had asked Sabena to let it use the Saphir system so that its flights would appear on the terminals of Belgian travel agents, which make 80% of their bookings through the system.

Sabena initially refused, arguing that the British airline's low fares policy would disrupt services from Belgium and that London European did not intend to give Sabena its contract for ground assistance of its aircraft.

On 22 April London European complained to the Commission that Sabena was abusing its dominant position.

Evidence obtained during an investigation at Sabena's offices ordered on 28 April and carried out on 30 April confirmed the complainant's allegations, and on 7 May the Commission gave Sabena notice that it was going to issue an interim order compelling it to accept London European into the Saphir system.

On 25 May Sabena agreed to allow the British airline to use the system.

#### **Joint ventures**

2.1.74. On 5 June the Commission authorized the sale by Elkem Holdings Ltd of part of the shares of Kings Lynn Steel Hold-

ings Ltd to Allied Steel & Wire Ltd, Cardiff ('ASW'), and Norsk Jernverk AS, Oslo ('Norsk'). The sale put Kings Lynn Steel Holdings under the joint control of the three parent companies and so required prior authorization by the Commission under the merger rules of Article 66 of the ECSC Treaty.

Kings Lynn Steel Holdings is the holding company of Kings Lynn Steel Co. Ltd, Kings Lynn (together 'KLS'). KLS was previously a wholly owned subsidiary of Elkem Holdings Ltd, a UK company which is itself a wholly owned subsidiary of Elkem AS, Oslo (together 'Elkem').

KLS is a fabricator of processed reinforcement material in the form of cut and bent steel bars, which are products falling under the EEC Treaty. KLS is, however, a consumer of ECSC Treaty products in the form of coiled and straight steel reinforcement bars. ASW is a steel producer making, *inter alia*, both coiled and straight reinforcement bars. Elkem and Norsk do not make steel inside the Community.

Under the deal ASW and Norsk have acquired 25% and 50% respectively of the share capital of KLS, reducing Elkem's interest to 25%. ASW, Elkem and Norsk now have equal representation on the Board of KLS.

The only possible adverse influence of the transaction on competition for steel products was the effect of the small additional outlet which ASW could obtain for its coiled and straight reinforcement bars through its shared control of KLS. An examination revealed, however, that this effect was unlikely to be significant so that the share sale met the conditions for authorization under Article 66(2) of the ECSC Treaty.

## State aid

### General aid schemes

#### *Germany*

2.1.75. On 16 June the Commission decided not to object to an aid scheme for

pollution control investment in West Berlin, although the scheme had been introduced illegally because it had not been notified beforehand as required by Article 93(3) of the EEC Treaty.

The scheme supports investment in pollution control going beyond the statutory requirements, is mainly intended for small firms, and the rate of aid is within the maximum laid down in the Community guidelines on aid for environmental protection.<sup>1</sup> Consequently, the scheme qualified for exemption under Article 92(3)(c) of the Treaty.

#### *France*

2.1.76. On 3 June the Commission terminated the scrutiny procedure under Article 93(2) of the Treaty in respect of an aid scheme administered by the French Energy Management Agency (Agence Française pour la Maîtrise de l'Énergie). The scheme had been introduced illegally because it had not been notified beforehand as required by Article 93(3). The Agency supports energy efficiency projects, studies, projects involving innovative techniques not yet in industrial production, and demonstration projects with good prospects of wider applicability.

The Commission decided that the scheme was eligible for exemption under Article 92(3)(c) because the aims were in line with those of its own policy on energy conservation, the level of aid was acceptable in relation to the degree of risk involved in the projects, and the trade-distorting effect of the aid was unlikely to be so significant as to outweigh the benefits for the Community interest.

#### *Italy*

2.1.77. On 3 June the Commission terminated the Article 93(2) scrutiny procedure in respect of aid for flour millers and pasta manufacturers in Sicily.<sup>2</sup> The Italian auth-

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<sup>1</sup> Bull. EC 12-1986, point 2.1.111.

<sup>2</sup> Bull. EC 1-1987, point 2.1.44.

orities had informed the Commission in May that the proposed Sicilian Regional legislation introducing the scheme had been withdrawn and would not now go before the legislature.

## Industry aid

### *Man-made fibres*

#### Belgium

2.1.78. On 16 June the Commission initiated the Article 93(2) procedure in respect of aid of BFR 6.8 million that the Belgian Government was proposing to grant to the polypropylene yarn and carpet manufacturer Roger Vanden Berghe SA, Desselgem. The aid is towards investment costing BFR 48 million which will increase the firm's production capacity for polypropylene yarn. The Commission believes the aid would breach the Community code for aid to man-made fibres and yarn production<sup>1</sup> and is likely to affect the considerable intra-Community trade in polypropylene yarn and to distort competition which is quite intense in this industry.

### *Clock and watch making*

#### France

2.1.79. In February 1986 the French Government reintroduced without prior notification under Article 93(3) of the EEC Treaty a levy scheme to support the clock and watch industry.

After prompting by the Commission, the government eventually supplied information about the operation of the scheme up to 1985 and changes to it made in 1986 and 1987. It emerged that direct aid to firms, export aid and assistance for commercial investment had been discontinued and aid for restructuring suspended.

On 3 June the Commission decided that from the new information obtained from the French Government the scheme seemed

unlikely to significantly affect trade and so could be exempted under Article 92(3)(c).

### *Construction materials*

#### France

2.1.80. On 3 June the Commission terminated the scrutiny procedure initiated on 5 November 1986 in respect of an unnotified levy scheme to support the construction materials industry.<sup>2</sup>

The French Government had satisfied the Commission that none of the levy proceeds went to individual firms but only to finance joint operations by the industry's technical centres and that imports from other Member States were exempt from the levy.

After a thorough examination the Commission decided that the scheme could be exempted under Article 92(3)(c).

### *Textiles and clothing*

#### France

2.1.81. On 3 June the Commission terminated the scrutiny procedure initiated on 23 April 1986 in respect of two unnotified levy schemes to support the textile industry and the clothing and knitwear industry.<sup>3</sup>

During the proceedings the French Government had substantially amended the rules of the levy schemes so as to discontinue use of the proceeds for aid purposes. The Textile and Clothing Development and Promotion Board, which administers the schemes, had not awarded any aid to individual firms since the beginning of 1986, and the government undertook not to use any of the proceeds of the levies to promote intra-Community exports by, for example, supporting sales offices for French textiles and clothing in other Member States.

<sup>1</sup> OJ C 171, 10.7.1985; Bull. EC 5-1985, point 2.1.35.

<sup>2</sup> Bull. EC 11-1986, point 2.1.88.

<sup>3</sup> Bull. EC 4-1986, point 2.1.55.

With these changes the Commission decided that the schemes could be authorized under Article 92(3)(c).

### *Steel pipes and tubes*

#### *Italy*

2.1.82. On 16 June the Commission terminated the Article 93(2) scrutiny procedure initiated on 20 August 1986 in respect of aid for rationalization by a seamless steel pipe and tube manufacturer.<sup>1</sup>

After the commencement of proceedings the Italian Government had substantially altered its initial proposal. The manufacturer is now closing its remaining capacity at the Genoa site for 131 000 tonnes of pipes and tubes a year, having already closed two mills with a total capacity of 212 000 tonnes a year early in 1986.

The aid, which will be cut to LIT 40 000 million, will be used to finance the start-up of a number of alternative activities on the site, including primary processing and sale of steel products, production of plastic pipes and tubes and electrical supplies, fabrication of various products from welded tubes, and a distribution depot. The project also involves the commissioning of a cold-rolling mill with a capacity of 65 000 tonnes a year, which is entirely offset by the closure of an older facility with the same capacity in the Milan area.

The Commission felt that the preservation of 710 jobs by developing alternative businesses on the site of the closed seamless pipe and tube plant, in an area hard hit by the rundown of both the steel and shipbuilding industries, justified an exemption under Article 92(3)(c), as the new activities to be established in the project would be on too small a scale to affect trade sufficiently to outweigh the benefits for the common interest.

## Financial institutions and company law

### Financial institutions

#### *Insurance*

2.1.83. On 22 June the Council, acting on a Commission proposal,<sup>2</sup> adopted a

Directive<sup>3</sup> amending, as regards credit insurance and suretyship insurance, the first Directive of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life assurance.<sup>4</sup>

The first coordinating Directive left the Federal Republic of Germany free, pending further coordination, to require specialization of companies writing credit insurance and suretyship insurance on its territory.

German law thus sought to ensure that the cyclical nature and 'high risk' of the credit branch in particular did not, in an economic crisis, lead to the bankruptcy of multi-branch insurance companies with serious consequences for a very large number of insured persons or third parties due to be compensated.

As the requirement of specialization in the Federal Republic of Germany constitutes an obstacle to freedom of establishment for companies from other Member States, the Directive makes provision for its removal, accompanied by provisions applicable throughout the Community which impose additional financial safeguards for the credit insurance branch: constitution of an additional 'equalization' reserve and a considerable increase in the guarantee fund.

The Directive has the twin objectives of contributing to the achievement of a real common market in insurance and improving consumer protection.

2.1.84. After reaching agreement in principle on 15 June, the Council formally adopted on 22 June a Directive on the coordination of the laws, regulations and administrative provisions relating to legal expenses insurance,<sup>3</sup> acting on a proposal from the Commission.<sup>5</sup>

<sup>1</sup> Bull. EC 7/8-1986, point 2.1.72.

<sup>2</sup> OJ C 245, 29.9.1979; Bull. EC 9-1979, point 2.1.32; OJ C 5, 7.1.1983; Bull. EC 5-1982, point 2.1.25.

<sup>3</sup> OJ L 185, 4.7.1987.

<sup>4</sup> OJ L 228, 16.8.1973; Bull. EC 7/8-1973, point 2.1.22.

<sup>5</sup> OJ C 198, 7.8.1979; Bull. EC 7/8-1979, point 2.1.38; OJ C 78, 30.3.1982; Bull. EC 2-1982, point 2.1.26.

This Directive does not confine itself to removing the specialization requirement in the Federal Republic of Germany; to achieve the same objective as the German legislation was seeking through specialization, namely to avoid any conflict of interest between the person insured against legal expenses and his insurer, the Directive lays down a series of measures regarding the organization and management of insurance companies and the terms of insurance contracts.

### *Stock exchanges and other institutions in the securities field*

2.1.85. On 22 June the Council adopted the Directive on mutual recognition of the listing particulars to be published for the admission of securities to official stock exchange listing,<sup>1</sup> acting on a Commission proposal.<sup>2</sup> Once listing particulars have been drawn up in accordance with the provisions of the Council Directive of 17 March 1980<sup>3</sup> and approved by a competent authority in one Member State, they may be used for admission to other stock exchanges in other Member States, without having to be approved again by the host authorities. In this way the issuer will have to draw up only one set of listing particulars, provided that he makes applications for admission to several stock exchanges simultaneously or within short intervals.

### *Banks and other financial institutions*

2.1.86. The Commission has published an updating<sup>4</sup> of the list of credit institutions<sup>5</sup> provided for in the Directive of 12 December 1977 on the coordination of the laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions.<sup>6</sup>

## Employment, education and social policy

### Employment

#### Standing Committee on Employment

2.1.87. The Standing Committee on Employment held its 33rd meeting on 25

June with Mr Hansenne, Belgium's Minister of Employment, in the chair.<sup>7</sup> The work of this meeting was devoted to the internal and external adaptation of firms and certain aspects of labour market flexibility, based on a Commission communication<sup>8</sup> and an additional note from the chair.

At the end of the meeting the Chairman of the Committee drew conclusions, the most important of which are summarized below:

(i) All parties on the Committee had stressed the importance of increasing flexibility, which was bound to have a decisive effect as regards the competitiveness of the European economy and in improving employment and working conditions.

The scope of the adaptation required should not be underestimated; this adaptation, which should lead to the optimum use of productive capacity, implied changes in attitudes on the part of both employers and workers, and an adaptation of the legislative and collective bargaining framework at the appropriate levels.

(ii) At the same time members of the Committee affirmed that greater flexibility must not jeopardize workers' fundamental rights as regards social security, social protection and working conditions.

(iii) As regards the various aspects of the internal and external adaptation of firms in relation to employment, the Committee showed keen interest in the Commission's analysis of the organization and content of work in relation to training, information, reorganization of working time and the wide variety of types of employment contract.

A broad consensus emerged in favour of adopting, as a useful point of departure for

<sup>1</sup> OJ L 185, 4.7.1987.

<sup>2</sup> OJ C 110, 24.4.1987; Bull. EC 3-1987, point 2.1.88; OJ C 148, 6.6.1987; Bull. EC 5-1987, point 2.1.91.

<sup>3</sup> OJ L 100, 17.4.1980.

<sup>4</sup> OJ C 151, 8.6.1987.

<sup>5</sup> OJ C 61, 9.3.1987.

<sup>6</sup> OJ L 322, 17.12.1977.

<sup>7</sup> Bull. EC 11-1986, point 2.1.97.

<sup>8</sup> Bull. EC 5-1987, point 2.1.98.

future work, the conclusions drawn by the Commission in its communication.<sup>1</sup>

(iv) More generally, the Committee held that the question of workers' fundamental rights with regard to social security, social protection and working conditions, closely linked to the promotion of adaptability, should be the subject of an in-depth discussion, which should also be concerned with the improvement of employment.

The need for this discussion was also seen in relation to the larger European market and the reinforcement of the economic and social cohesion of the Community as provided for in the Single European Act.<sup>2</sup> To this end, the Committee invited the two sides of industry, the Council and the Commission, in accordance with their respective terms of reference, to consider these questions and then hold joint in-depth discussions on fundamental rights and minimum protection for workers, which must not be jeopardized.

In the context of these discussions — bearing in mind the differing situations at national, regional, local and firm level — an attempt should be made to determine the most suitable action to be taken in this area by the public authorities and the two sides of industry, given that their roles were complementary.

### Employment and the labour market

2.1.88. A conference on the changing nature of employment: new forms and new areas, organized by the Commission, was held in Paris on 19 and 20 June. The discussions concerned the nature of the new occupations, the sectors or industries where they were to be found and the necessary institutional adaptation to labour market trends.

### Sectoral aspects of employment policy

2.1.89. The Joint Committee on Road Transport<sup>3</sup> held a plenary meeting on 18 June. It approved a proposal for an amendment to its rules of procedure designed to

confer on the Commission the right to appoint additional members directly, with a view to reinforcing the representative nature of the Committee in certain Member States.

2.1.90. From 24 to 26 June a seminar took place in Brussels on the social aspects of the common agricultural policy. It was attended by representatives of the European Federation of Agricultural Workers' Unions and of the Committee of Agricultural Organizations in the EEC, by representatives from related sectors, and by other participants from the European Parliament, the Economic and Social Committee, the Commission and elsewhere.

The aims of the seminar were:

- (i) to improve information for employers and workers in the sector about the CAP, its economic and social impact on farmers and farmworkers and the accompanying social and structural measures adopted or in preparation, and to develop the dialogue between employers and workers on the one hand and the Commission on the other;
- (ii) to permit an in-depth exchange of views on employment and working conditions in the broad sense (working time, remuneration, training, health and safety, etc.) for agricultural workers in the Community;
- (iii) to revive the social dialogue between employers and workers at European level, especially as regards the harmonization in the social field necessitated by the accession of Spain and Portugal; and
- (iv) to reach common conclusions on the various points covered which could serve as a basis for the future work of the Joint Committee on Social Problems of Agricultural Workers.<sup>4</sup>

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<sup>1</sup> Bull. EC 5-1987, point 2.1.98.

<sup>2</sup> Supplement 2/86 — Bull. EC.

<sup>3</sup> OJ L 317, 28.11.1985; Bull. EC 11-1985, point 2.1.80.

<sup>4</sup> Bull. EC 11-1986, point 2.1.114.

## Dialogue with the two sides of industry

2.1.91. The working party on macro-economics comprising top-level representatives from the Union of Industries of the European Community (Unice), the European Centre of Public Enterprises (CEEP) and the European Trade Union Confederation (ETUC) met for the fourth time in Brussels on 26 June with Mr Alois Pfeiffer, Member of the Commission with special responsibility for economic affairs, in the chair.<sup>1</sup> The deliberations revealed significant points of convergence, and it was agreed that joint discussions on specific aspects associated with investment — for example, the reform of the structural Funds currently under discussion in the Community — would be continued.

At the end of the meeting, the senior officers of Unice and ETUC decided, on the eve of the European Council meeting on 29 and 30 June (→ point 1.1.4), to send the President of the Council and the President of the Commission a telegram confirming their interest in ensuring the effective implementation of the cooperative growth strategy, the completion of the internal market and the reinforcement of economic and social cohesion, urging to this effect that the necessary budgetary measures — based on the Commission communication 'The Single European Act: A new frontier for Europe'<sup>2</sup> — should be adopted.

## Education and vocational training

### Cooperation in education

2.1.92. A conference on cooperation between trade unions, research centres and universities, organized by the Commission, was held in Brussels on 15 and 16 June. The representatives of the institutions concerned clearly indicated their intention to pursue the dialogue and their wish to see the Commission take initiatives in this area.

### Higher education

2.1.93. On 15 June the Council took a Decision<sup>3</sup> adapting the European Com-

munity action scheme for the mobility of university students (Erasmus), which it had approved in May.<sup>4</sup>

### Problems concerning education

2.1.94. A meeting of the Working Party on the Integration of Handicapped Children in Ordinary Schools, organized by the Commission, was held in Brussels on 17 June. It was the group's first meeting since 14 May, when the Council and Ministers of Education meeting within the Council approved the first Community action programme to promote the integration of handicapped pupils in ordinary schools.<sup>5</sup>

2.1.95. A conference, organized jointly by the Commission and the Dutch Minister of Education and Science, to study ways of reinforcing the European dimension of education in the Community with a view to contributing to the completion of a people's Europe was held in Maastricht, the Netherlands, from 18 to 20 June. The participants, senior officials and experts from the 12 Member States, considered three aspects of the European dimension: school curricula, initial and in-service training for teachers and teaching material.

### Vocational training

2.1.96. On 15 June the Council adopted conclusions concerning the development of continuing in-firm vocational training for adult employees,<sup>6</sup> which it had approved in May.<sup>7</sup>

2.1.97. With regard to the equivalence of vocational training qualifications, two groups of experts met from 9 to 12 June to complete the technical work concerning the construction industry and at the same time

<sup>1</sup> Third meeting: Bull. EC 11-1986, point 2.4.14.

<sup>2</sup> Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

<sup>3</sup> OJ L 166, 25.6.1987.

<sup>4</sup> Bull. EC 5-1987, point 1.3.1

<sup>5</sup> Bull. EC 5-1987, point 2.1.106.

<sup>6</sup> OJ C 178, 7.7.1987.

<sup>7</sup> Bull. EC 5-1987, point 2.1.109.

begin work concerning agriculture. In the case of 13 occupations in the building trade, it was possible to verify the correspondence of vocational training qualifications of skilled workers between the Member States.

## **Living and working conditions and social protection**

### **Campaign against poverty**

2.1.98. On 16 June Parliament adopted a resolution on shelter for the homeless in the Community (→ point 2.4.19).<sup>1</sup>

### **Equal opportunities for women and men**

2.1.99. On 23 June Parliament adopted a resolution on the situation of women in the Community institutions (→ point 2.4.19).<sup>1</sup>

2.1.100. On 12 and 13 June a legal seminar took place in Rome on the application of the Directives on equal opportunities for men and women;<sup>2</sup> the seminar was organized jointly by the Commission and Rome University. Throughout the discussions, participants drew attention to the principal problems arising in connection with these Directives, developments in Court of Justice case law, and the implementation of the Directives under Italian legislation and case law.

2.1.101. In connection with the promotion of positive action for women in industry (Community medium-term programme on equal opportunities for women, 1986-90),<sup>3</sup> the Commission organized seminars in Madrid and Lisbon with Spanish and Portuguese firms to discuss problems concerning women's employment, and if possible to encourage firms to develop positive action programmes.

### **Social integration of the handicapped**

2.1.102. The last of the plenary meetings of representatives of the district projects<sup>4</sup>

promoting the social integration of handicapped persons, organized by the Commission, was held on 4 and 5 June in Portlaoise, Ireland. A programme for the assessment of these projects and the dissemination of the results was approved at the meeting.

### **Social protection**

2.1.103. On 16 June Parliament adopted a resolution on child labour (→ point 2.4.19).<sup>1</sup>

### **Social integration of migrant workers**

2.1.104. On 18 June Parliament adopted a resolution on the growing number of crimes connected with fascism, racism and xenophobia in Community countries (→ point 2.4.19).<sup>1</sup>

## **Health and safety<sup>5</sup>**

### **Public health**

#### *Drug abuse*

2.1.105. In line with the Decision taken by the Council on 26 January,<sup>6</sup> the Community, represented by Mr Carlo Ripa di Meana, Member of the Commission with special responsibility for a people's Europe, took part in the International Conference on Drug Abuse and Illicit Trafficking held in Vienna from 17 to 26 June. Chaired by the Prime Minister of Malaysia, this first United Nations ministerial conference on narcotics approved a declaration laying down guidelines for national, regional and international action to be taken in the years

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<sup>1</sup> OJ C 190, 20.7.1987.

<sup>2</sup> OJ L 45, 19.2.1975; OJ L 39, 14.2.1976; OJ L 6, 10.1.1979; OJ L 225, 12.8.1986; OJ L 359, 19.12.1986.

<sup>3</sup> Supplement 3/86 — Bull. EC; OJ C 356, 31.12.1985.

<sup>4</sup> OJ C 347, 31.12.1981; Bull. EC 12-1981, point 2.1.64; Bull. EC 4-1986, point 2.1.68.

<sup>5</sup> For Euratom-related health and safety, see points 2.1.235 and 2.1.236.

<sup>6</sup> Bull. EC 1-1987, point 2.1.65.



ahead to limit the scourge of drug abuse. Mr Ripa di Meana outlined to the Conference the Community's position, which, initially focused on North-South cooperation (to which the Community has allocated 5.5 million ECU for 1987), could be extended to other areas of cooperation (customs, health, etc.) in the future.

During the Conference a liaison agreement between the Community, represented by Mr Ripa di Meana, and the UN Fund for Drug Abuse Control (Unfdac), represented by its Executive Director, Mr di Gennaro, was signed. The Community has allocated 500 000 ECU this year to EEC-Unfdac cooperation, which will be concentrated mainly on Latin America.

### Health and safety at work

2.1.106. The *ad hoc* group on machines set up by the Advisory Committee on Safety, Hygiene and Health Protection at Work met on 1 June to draft an opinion.

2.1.107. The *ad hoc* group on personal protective equipment met on 3 June and completed its work on preparation of a draft opinion.

## Regional policy

### Financial instruments

#### *European Regional Development Fund*

2.1.108. On 3 June the Commission transmitted to the Council and Parliament a communication<sup>1</sup> which is to provide the basis for the second<sup>2</sup> exchange of views on the appraisal and implementation of the principles contained in the new ERDF Regulation.<sup>3</sup> These discussions were agreed at the conciliation meeting between the institutions before the adoption of the Regulation.

### Eleventh annual report

2.1.109. On 18 June Parliament gave its opinion<sup>4</sup> on the Commission's 11th annual report to the Council on the activities of the European Regional Development Fund, covering the year 1985.<sup>5</sup>

The report deals with the first year of application of the new ERDF Regulation,<sup>3</sup> and Parliament noted the greater emphasis the Regulation placed on the Community character of regional policy. It expressed concern at the austerity policies pursued in some Member States, which had hindered the development of the regions. It considered that the ERDF's resources were still inadequate to correct regional imbalances in the Community and noted that with the gradual introduction of programme financing, only 6% of the Fund's appropriations were allocated for that purpose in 1985; during the same period, the resources available for special programmes resulting from specific Community regional development measures were largely unused.

Parliament therefore recommended that the Commission should apply the lessons learned from the non-quota measures and issue clearer directives to national, regional and local authorities on the content of the programmes.

It also made the point that, in spite of a slight increase in the proportion of aid allocated to productive investment outside agriculture, this was still significantly below the 30% target; it therefore called on the Commission to look into the reasons for this and to take such measures as were necessary. At the same time it stressed the need for strict control by the Commission over the follow-up and implementation of projects financed under the ERDF.

<sup>1</sup> COM(87) 236 final.

<sup>2</sup> Bull. EC 4-1986, point 2.1.83.

<sup>3</sup> OJ L 169, 28.6.1984; Bull. EC 6-1984, point 1.3.1 *et seq.*

<sup>4</sup> OJ C 190, 20.7.1987.

<sup>5</sup> Bull. EC 10-1986, point 2.1.104.

## ERDF grants

## Project financing

2.1.110. On 9 June the Commission approved the third allocation of grants for

1987 from the European Regional Development Fund: 180.74 million ECU for 527 projects costing less than 5 million ECU each and involving a total cost of 558.91 million ECU. The assistance granted under this allocation is distributed among the Member States as shown in Table 6.

Table 6 — ERDF grants: third 1987 allocation

	Number of grant decisions	Number of investment projects	Investment assisted (million ECU) <sup>1</sup>	Assistance granted (million ECU) <sup>1</sup>
Belgium	—	—	—	—
Denmark	1	1	0.64	0.32
FR of Germany	90	107	137.54	24.02
Spain	49	115	187.87	79.88
Greece	—	—	—	—
France	3	8	13.09	2.72
Ireland	3	22	34.60	7.14
Italy	6	46	59.53	17.60
Luxembourg	—	—	—	—
Netherlands	—	—	—	—
Portugal	26	146	61.63	29.72
United Kingdom	27	82	64.11	19.34
Total	205	527	558.91	180.74

<sup>1</sup> Converted at January 1987 rates.

The total of 180.74 million ECU breaks down as follows:

- (i) 33.72 million ECU to help finance 155 projects in industry, craft industries and the service sector;
- (ii) 147.03 million ECU to help finance 372 infrastructure projects.

Altogether, these grants will directly help to create 3 691 new jobs and maintain another 2 588.

2.1.111. On 30 June the Commission approved the fourth allocation of grants for 1987 from the European Regional Development Fund: 393.22 million ECU for 98 projects costing more than 5 million ECU each and involving a total cost of 1 509.04 million ECU. The assistance granted under this allocation is distributed among the Member States as shown in Table 7.

Table 7 — ERDF grants: fourth 1987 allocation

	Number of grant decisions	Number of investment projects	Investment assisted (million ECU) <sup>1</sup>	Assistance granted (million ECU) <sup>1</sup>
Belgium	—	—	—	—
Denmark	—	—	—	—
FR of Germany	40	41	596.04	46.51
Spain	15	18	193.26	84.28
Greece	4	4	203.91	101.95
France	—	—	—	—
Ireland	3	3	17.18	5.05
Italy	3	13	123.43	26.46
Luxembourg	—	—	—	—
Netherlands	—	—	—	—
Portugal	7	7	228.81	92.86
United Kingdom	11	12	146.41	36.11
Total	83	98	1 509.04	393.22

<sup>1</sup> Converted at January 1987 rates.

The total of 393.22 million ECU breaks down as follows:

- (i) 53.98 million ECU to help finance 57 projects in industry, craft industries and the service sector;
- (ii) 339.80 million ECU to help finance 41 infrastructure projects.

This ERDF allocation for 1987 brings the number of projects financed by the Fund since 1975 to 34 234 and the total assistance granted to 17 558.07 million ECU.

### *Programme financing*

2.1.112. On 16 June the Commission approved the granting of ERDF aid to three national programmes of Community interest in France, covering the five-year period from 1986 to 1990.

The grants, totalling FF 902.7 million, go to three regions: Nord/Pas-de-Calais (349.5 million), Auvergne (278.2 million) and Limousin (275 million).

The programme for Nord/Pas-de-Calais involves environmental improvement

(redevelopment of derelict industrial sites and rehabilitation of industrial buildings), economic development (modernization investment, promotion of research, technology transfers and reception centres for craftsmen) and the improvement of training facilities (buildings and equipment for higher and technical education establishments).

In the programme for Auvergne, the emphasis is on the provision of better road access, mainly through improvements to the major roads; economic development (improvement of business premises, investment in automated production systems, innovation and craft industries); the promotion of tourism (development of recreational areas, provision of accommodation and creation of new products); improvement of training facilities (provision, extension and fitting out of training centres and institutes). Altogether, these measures should help create 9 000 to 10 000 jobs during the life of the programme (1986-90), thereby reducing the number of unemployed in the region by 15%.

The programme for Limousin has six main objectives: to provide better road access to the region by making improvements to the north-south and the east-west roads; to develop the timber industry; to maintain and improve the competitiveness of small and medium-sized businesses; to promote technology transfers; to consolidate and revive craft industries; and to develop tourism.

2.1.113. On 16 June the Commission approved the granting of ERDF aid to two special programmes under the specific Community regional development measure contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by restructuring of the textile and clothing industry. One programme involves the French departments of Ariège and Tarn, the other involves the Belgian district of Mouscron.

The ERDF will contribute 6.9 million ECU to the French programme and 4.8 million ECU to the Belgian programme. These programmes provide for two types of measure: redevelopment of derelict industrial sites and the provision of services to small and medium-sized firms which will enable them to expand their business and have access to new technologies.

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#### *Financing of studies*

2.1.114. In June the Commission decided, in accordance with Article 24(1) of the ERDF Regulation, to grant financial assistance to three studies closely related to Fund operations:

- (i) a feasibility study for a new road link between St Helens town centre and the M62 motorway in the United Kingdom (88 300 ECU);
- (ii) a feasibility study into the potential economic development of Brigg in the United Kingdom (13 700 ECU);
- (iii) a technical study of the westbound route out of Funchal in Portugal (72 000 ECU).

2.1.115. During its June part-session Parliament adopted two resolutions on regional policy: one concerning the province of Nuoro in Sardinia, and the other concerning the pine forest region in central Portugal (→ point 2.4.19).

#### *Aid for disaster victims*

2.1.116. On 11 June the Commission decided to grant emergency aid to the families of the victims and the most deprived families in the south-west of France (200 000 ECU) and the north-west of Spain (200 000 ECU) who were hard hit by the storms which struck these regions on 7 June.

2.1.117. During its June part-session Parliament adopted a resolution on the Community aid to be granted to the inhabitants of these regions, and a resolution on the aid to be granted to the victims of the drought in Sardinia (→ point 2.4.19).<sup>1</sup>

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2.1.118. On 4 and 5 June the Commission received some 100 representatives from the French overseas departments,<sup>2</sup> led by Mr Bernard Pons, the Minister for the Overseas Departments and Territories. The aim of the series of meetings held was to examine the requests made by the French Government in its memorandum on better integration into the Community of the French overseas departments, which it sent to the Council and the Commission at the end of April, and by Parliament in a resolution passed in May.<sup>3</sup> The Commission was represented by its President, Mr Jacques Delors, and by Mr Frans Andriessen (agriculture and forestry), Lord Cockfield (internal market), Mr Claude Cheysson (development) and Mr Grigoris Varfis (regional policy and coordination of structural instruments).

During the meetings a very detailed discussion was held on the specific problems

<sup>1</sup> OJ C 190, 20.7.1987.

<sup>2</sup> French Guiana, Guadeloupe, Martinique and Réunion.

<sup>3</sup> OJ C 156, 15.6.1987; Bull. EC 5-1987, point 2.4.16.

of these Community regions faced with a development gap.

In preparation for the meetings, the Commission, bearing in mind that the French overseas departments are part of the Community, studied their specific problems and handicaps. The latter derive in particular from their distance from Europe (7 000 to 10 000 km), the fact that they are islands or geographically isolated, their lack of resources except in agriculture and tourism, and the youth of the population.

At the end of the meetings, Mr Delors announced that a task force would be set up to monitor the problems of the French overseas departments and those of the Canary Islands, Ceuta, Melilla, the Azores and Madeira.

## Coordination of structural instruments

### Integrated Mediterranean programmes

2.1.119. On 5 June the Advisory Committee on IMPs delivered a favourable opinion on the four French draft IMPs for the regions of Provence-Alpes-Côte d'Azur and Corsica and the departments of Ardèche and Drôme, following their approval by the Commission on 14 April.<sup>1</sup>

### Reform of the structural Funds

2.1.120. The European Council of 29 and 30 June adopted general guidelines on the proposals for reform of the structural Funds in the Commission's communication on the Single Act (→ point 1.1.4).

## Environment and consumers

### Environment

#### *European Year of the Environment*

2.1.121. A seminar was held in Rochefort, France, from 2 to 4 June on the twinning

of protected areas. It was attended by Mrs Simone Veil, President of the French National Committee for the European Year of the Environment (EYE), and Mr Laurens Jan Brinkhorst, the Commission's Director-General for Environment, Consumer Protection and Nuclear Safety; and a three-year programme was adopted. The directors, government officials or ministers responsible for 33 areas signed twinning agreements paving the way for scientific, technical and cultural exchanges.

2.1.122. A cooperation agreement concerning EYE was signed on 15 June by the Commission and the European multiple districts, districts and not-districted clubs of Lions International. The signatories were Mr André Herrent, Governor of the Belgian District, on behalf of the Lions and Mr Laurens Jan Brinkhorst on behalf of the Commission. Under the terms of the agreement the Lions have undertaken to identify and carry out environmental projects and to publicize EYE. For its part, the Commission has authorized the Lions to use the official EYE logo and promised to send environmental documentation to the districts involved in the agreement.

#### *Action by the Community relating to the environment (ACE) and other financial measures*

2.1.123. On 2 June the Commission decided to grant financial support to 15 environmental training projects (budget Item 6613 — Environmental measures which can help to create new jobs). Eight of these projects are of particular relevance to EYE — either pilot projects concerned with environmental protection and the rational management of natural resources or training programmes for persons responsible for monitoring the quality of the environment.

The aim of the other projects is to disseminate and capitalize on the results of the pilot projects undertaken in the first stages of

<sup>1</sup> Bull. EC 4-1987, point 2.1.89.

action under Item 6613. They will also serve as a basis for the five-year programme of demonstration projects to illustrate the job-creation potential of environmental measures. The Commission transmitted this programme to the Council on 11 March.<sup>1</sup>

### *Prevention and reduction of pollution and nuisance*

#### **Protection of the aquatic environment**

##### *Protection of the Rhine*

2.1.124. On 25 June the Council, acting on a proposal from the Commission,<sup>2</sup> adopted the decision authorizing the Commission to negotiate on behalf of the Community the draft recommendation to the contracting parties concerning a supplement in respect of chloroform discharges to Annex IV to the Convention for the Protection of the Rhine against Chemical Pollution<sup>3</sup> to pave the way for adoption of the supplement by the International Commission for the Protection of the Rhine.

##### *Paris Convention*

2.1.125. The Commission represented the Community at the ninth annual<sup>2</sup> meeting in Cardiff, United Kingdom, from 1 to 3 June of the commission set up to supervise implementation of the Paris Convention for the Prevention of Marine Pollution from Land-based Sources.<sup>5</sup> Recommendations were adopted on the need for an impact study to be made before any new radioactive waste treatment plant is built, the use of organotin compounds in antifouling paint for pleasure craft and limiting discharges at sea from waste oil collection facilities to 15 mg/l.

Other measures of protection were also taken; these included the introduction of a mutual information system for the contracting parties on accidental radioactive discharges.

##### *Paris and Oslo Conventions*

2.1.126. The Commission represented the Community at the joint meeting of the Paris

and Oslo<sup>6</sup> Commissions in Cardiff on 4 and 5 June. The main points discussed were financial matters, the budget for 1988 and a proposed 18.5% increase in the budget. An extraordinary meeting of the contracting parties might have to be convened since a number of States were unable to approve the budget increase.

##### *Discharge of chromium into the aquatic environment*

2.1.127. In June Parliament delivered an opinion<sup>7</sup> on the proposal for a Directive on water quality objectives for chromium.<sup>8</sup> Parliament took the view that the proposed quality objectives were not far-reaching enough and that the Commission's proposal was inadequate in that it set only two quality standards (fresh water and salt water). It also feared that the proposal would not produce harmonization but would rather reinforce existing differences in national programmes for reducing chromium pollution. The House welcomed the Commission's initiative in principle but called for a framework Directive similar to the one adopted on 12 June 1986<sup>9</sup> for discharges of substances on List I (particularly toxic substances) in the Directive of 4 May 1976 on pollution caused by certain dangerous substances discharged into the aquatic environment of the Community,<sup>10</sup> together with annexes laying down specific rules for zinc, copper, nickel and lead. Parliament realized that this procedure would necessitate an amendment to the 1976 Directive since limits would have to be fixed for the substances on List II.

<sup>1</sup> OJ C 141, 27.5.1987; Bull. EC 2-1987, point 2.1.83.

<sup>2</sup> Bull. EC 2-1987, point 2.1.84.

<sup>3</sup> OJ L 240, 19.9.1977.

<sup>4</sup> Bull. EC 6-1986, point 2.1.151.

<sup>5</sup> OJ L 194, 25.7.1975.

<sup>6</sup> The Oslo Commission was set up by the Convention for the Prevention of Marine Pollution by Dumping from Ships and Aircraft.

<sup>7</sup> OJ C 190, 20.7.1987.

<sup>8</sup> OJ C 351, 31.12.1985; Bull. EC 12-1985, point 2.1.141.

<sup>9</sup> OJ L 181, 4.7.1986; Bull. EC 6-1986, point 2.1.147.

<sup>10</sup> OJ L 129, 18.5.1976.

*Dumping at sea*

2.1.128. On 19 June Parliament delivered an opinion<sup>1</sup> on the proposal for a Directive on the dumping of waste at sea.<sup>2</sup> The Commission was asked to prohibit the dumping of radioactive waste at sea by Member States and to bring forward a proposal for a Directive on the policing and surveillance of the Community's coastal waters; this proposal should include as many as possible of the substances contained in Lists I and II of the Directive of 4 May 1976<sup>3</sup> and take into account the various media affected (sea water, flora, fauna and sediments). Parliament asked the Commission to tighten the proposed deadlines with a view to achieving a rapid improvement in existing pollution levels.

**Air pollution***Unleaded petrol and harmful motor-vehicle emissions*

2.1.129. At its June part-session Parliament endorsed<sup>1</sup> the proposal<sup>4</sup> to amend the Directive of 20 March 1985 on the approximation of the laws of the Member States concerning the lead content of petrol.<sup>5</sup>

2.1.130. Parliament also issued an opinion<sup>1</sup> on the proposals for Directives on the approximation of the laws of the Member States relating to measures to be taken against (i) air pollution by gases from engines of motor vehicles<sup>6</sup> and (ii) the emission of gaseous pollutants from diesel engines for use in vehicles.<sup>7</sup> This approved the Commission's proposal to limit gaseous emissions from commercial vehicles but considered the proposals on the restriction of particulate emissions to be inadequate. Parliament regretted that no proposal had been made to restrict particulate emissions from commercial vehicles, buses and coaches, although they were responsible for about 75% of such emissions. The Commission was therefore asked to produce such a proposal forthwith.

Parliament also considered it urgently necessary for all diesel engines not so far

covered to be included as soon as possible in an outline Directive setting uniform pollutant emission values for marine, rail, construction machinery, stationary and tractor diesel engines.

**Noise abatement***Construction plant and equipment*

2.1.131. On 25 June the Council, acting on a proposal from the Commission,<sup>8</sup> amended its Directive of 17 September 1984 relating to the maximum permissible sound level of tower cranes.<sup>9</sup>

**Control of chemicals, industrial hazards and biotechnology***Major-accident hazards*

2.1.132. The committee of national authorities responsible for implementing the Directive of 24 June 1982 on the major-accident hazards of certain industrial activities<sup>10</sup> met in Brussels on 3 and 4 June to discuss extending the provisions of the Directive to the storage of all dangerous substances.

2.1.133. On 18 June Parliament adopted a resolution on the death of 13 dockers in the port of Ravenna and of another 4 workers following the explosion of a methanol depot in Genoa (→ point 2.4.19).<sup>1</sup>

*Dangerous substances*

2.1.134. The committee of authorities responsible for implementing the Directive

<sup>1</sup> OJ C 190, 20.7.1987.

<sup>2</sup> OJ C 245, 26.9.1985; Bull. EC 7/8-1985, point 2.1.112.

<sup>3</sup> OJ L 129, 18.5.1976.

<sup>4</sup> OJ C 90, 4.4.1987; Bull. EC 3-1987, point 2.1.132.

<sup>5</sup> OJ L 96, 3.4.1985; Bull. EC 3-1985, point 2.1.70.

<sup>6</sup> OJ C 174, 12.7.1986; Bull. EC 5-1986, point 2.1.108 *et seq.*

<sup>7</sup> OJ C 193, 31.7.1986; Bull. EC 5-1986, point 2.1.108 *et seq.*

<sup>8</sup> OJ C 267, 23.10.1986; Bull. EC 9-1986, point 2.1.95.

<sup>9</sup> OJ L 300, 19.11.1984; Bull. EC 9-1984, point 2.1.70.

<sup>10</sup> OJ L 230, 5.8.1982; Bull. EC 6-1982, point 2.1.92.

of 18 September 1979<sup>1</sup> amending for the sixth time the 1967 Directive on dangerous substances<sup>2</sup> held its 21st meeting in Brussels on 15 and 16 June.<sup>3</sup> The main item on the agenda was the advisability of amending the 1967 Directive for a seventh time.

### Waste disposal

2.1.135. In June Parliament adopted a resolution on the waste disposal industry and old waste dumps (→ point 2.4.19).<sup>4</sup>

### Protection and use of resources

#### Forests

2.1.136. On 10 June the Commission adopted three Regulations laying down rules for the implementation of the Council Regulations of 19 November 1986 on the protection of forests against fire and against atmospheric pollution (→ point 2.1.192).

### International cooperation

2.1.137. The Commission took part as an observer in the 14th session of the Governing Council of the United Nations Environment Programme in Nairobi, Kenya, from 8 to 19 June. The meeting was marked by two important events:

- (i) the adoption of the report of the World Commission on Environment and Development, which is regarded as a frame of reference for future action;<sup>5</sup> and
- (ii) the adoption of the document on the prospects for the environment up to the year 2000 and beyond.

Both are to be laid before the 42nd session of the United Nations General Assembly.

A number of other decisions and resolutions were adopted which concern areas of vital interest to the Community: protection of the ozone layer, international monitoring of chemicals and dangerous waste and conservation of biological diversity.

## Consumers

### Council

2.1.138. A Council meeting on consumer affairs was held in Luxembourg on 10 June; it achieved progress on all the items on its agenda. The Council approved the Directive on the approximation of laws on products which, appearing to be other than they are, endanger the health or safety of consumers (→ point 2.1.139). It approved two resolutions — one on consumer redress (→ point 2.1.144) and the other on the safety of consumers in relation to consumer products (→ point 2.1.140). The Council also established a joint position on the proposal for a Directive on toy safety, stating that it would take a final decision once Parliament and the Economic and Social Committee had made their views known.<sup>6</sup> It continued to examine two proposals for Directives on consumer protection in respect of price indication and approved conclusions in this connection (→ point 2.1.145). Finally, it called on the Commission to make proposals for a Community information and awareness campaign on child safety (→ point 2.1.141).

### Physical protection and product safety

#### Imitation products

2.1.139. On 10 June the Council, acting on a proposal by the Commission,<sup>7</sup> adopted a Directive on the approximation of the laws of the Member States concerning products which, appearing to be other than they are, endanger the health or safety of consumers.<sup>8</sup>

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<sup>1</sup> OJ L 259, 15.10.1979.

<sup>2</sup> OJ 196, 16.8.1967.

<sup>3</sup> Previous meeting: Bull. EC 3-1987, point 2.1.135.

<sup>4</sup> OJ C 190, 20.7.1987.

<sup>5</sup> Bull. EC 5-1987, point 2.1.135.

<sup>6</sup> OJ C 282, 8.11.1986; Bull. EC 10-1986, point 2.1.128.

<sup>7</sup> OJ C 272, 28.10.1986; Bull. EC 9-1986, point 2.1.97.

<sup>8</sup> OJ L 192, 11.7.1987.



The Directive includes a provision to the effect that two years after the date by which Member States have to comply with it the Council may adjust it on the basis of a report from the Commission, in particular with a view to extending its scope to cover dangerous imitations other than imitations of foodstuffs.

### Safety of consumer products

2.1.140. Following on from the Commission paper (transmitted on 11 May) on the safety of consumers in relation to consumer products,<sup>1</sup> the Council adopted a resolution<sup>2</sup> on 10 June in which it:

(i) welcomes the Commission communication and notes its analysis of the current situation as regards general legislation on consumer safety;

(ii) acknowledges the importance for consumer protection of producing and marketing only safe products;

(iii) notes the Commission's intention to prepare and forward to the Council in good time a proposal aimed at creating a general obligation in this sense.<sup>3</sup>

### Child safety

2.1.141. The Council welcomed with interest the communication transmitted by the Commission on 11 May concerning an information and awareness campaign on child safety (1988-90).<sup>3</sup> It noted the importance of focusing on the most frequent and serious categories of child accidents and on priority target groups. It requested the Commission, as a first step, to discuss possible action with the Member States and, as appropriate, with the consumer organizations, and submit a report on the outcome of these discussions before the end of 1987, accompanied—if appropriate—by proposals for a campaign to begin in 1988.

### Standardization

2.1.142. The Directorate-General for the Environment, Consumer Protection and Nuclear Safety, together with the European

Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (Cenelec), held a European forum on consumers and standardization on 4 and 5 June, at which the parties concerned with standardization at national and Community level held a wide-ranging exchange of views. Representatives of EFTA countries also attended as observers. The forum laid emphasis on the primordial importance of standardization for the completion of the internal market by 1992<sup>4</sup> and cooperation between the parties involved in order to define consumer product standards with technical specifications adequate to guarantee consumer safety. Finally, it made possible the establishment of guidelines for a 'priority standardization programme for consumers' and an intensification of consumer involvement in the standardization process at both national and Community level.

### Accident surveillance

2.1.143. A seminar on developments in the European Home and Leisure Accident Surveillance System (Ehlass) was held in Rome from 17 to 19 June.<sup>5</sup> Aspects of the organization, coordination and administration of Ehlass in hospitals and national coordination centres, and at Community level, were discussed. It emerged that the system has already made it possible to take the measure of the problem of home and leisure accidents, and the Commission is in a position to work out priority guidelines for prevention.

### Protection of economic and legal interests

#### Consumer redress

2.1.144. Following the 1984 memorandum<sup>6</sup> and the supplementary communi-

<sup>1</sup> Bull. EC 5-1987, point 2.1.151.

<sup>2</sup> OJ C 176, 4.7.1987.

<sup>3</sup> Bull. EC 5-1987, point 2.1.152.

<sup>4</sup> Bull. EC 6-1985, point 1.3.1 *et seq.*

<sup>5</sup> OJ L 109, 26.7.1986; Bull. EC 4-1986, point 2.1.100; Bull. EC 11-9186, point 2.1.166.

<sup>6</sup> Supplement 2/85 — Bull. EC; Bull. EC 12-1984, point 2.1.136.

cation on consumer redress sent by the Commission in May this year,<sup>1</sup> on 10 June the Council adopted a resolution<sup>2</sup> in which it:

(i) welcomes with interest the communication sent to it by the Commission and notes the Commission's analysis of the way in which consumers' interests could in future be taken into account with regard to consumer redress; invites the Commission to supplement it in view of the enlargement of the Community;

(ii) recognizes the importance of an appropriate treatment of consumers' complaints and the value of providing appropriate means of redress;

(iii) reaffirms in particular its commitment to principles aimed at improving consumer redress;

(iv) takes note of the Commission's action programme in this area and of the budgetary needs which the Commission considers to be required for its implementation;

(v) requests the authorities of the Member States in which practical initiatives launched with the assistance of the Commission have produced positive results to give appropriate attention to such initiatives in order to examine the possibility of implementing them on a wider basis;

(vi) stresses the important role of consumer organizations and of public bodies and institutions whose duties include consumer protection in the area of consumer redress and calls on the Member States to help them fulfil this task;

(vii) invites the Commission to continue to study the role of these organizations, bodies and institutions as intermediaries or as direct agents in consumer redress and to examine whether an initiative at Community level would be suitable in this area.'

### *Consumer information, education and representation*

#### **Price indication**

2.1.145. Following its examination of the Commission's proposals for Directives on the indication of prices of food<sup>3</sup> and non-food products,<sup>4</sup> the Council approved conclusions in which it agrees to the drawing up of specific lists of prepackaged products. The products included in these lists and sold in certain fixed Community ranges will

be exempted from the obligation to indicate the unit price. Where products are sold in Community ranges other than those referred to above, Member States may require the unit price to be indicated. Moreover, the Council is planning to adopt new Community product ranges on the basis of a Commission proposal. These new ranges may also be exempted from the obligation to indicate the unit price.

## **Agriculture**

### **Further reform of the CAP**

2.1.146. The European Council, meeting in Brussels on 29 and 30 June, adopted general guidelines relating to the agricultural proposals in the Commission's paper 'The Single Act: A new frontier for Europe' (→ point 1.1.4).

For the shorter term, conclusions were adopted concerning the monetary compensatory amounts (→ point 1.1.6).

### **Council**

2.1.147. After the May meetings<sup>5</sup> which had not enabled any decisions to be reached on agricultural prices and the measures to be adopted for 1987/88,<sup>6</sup> the Council met again on 15, 16, 17 and 18 June.

Before the Ministers started work on agricultural prices they held a joint meeting with the Ministers for Finance at which they examined the budgetary situation and

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<sup>1</sup> Bull. EC 5-1987, point 2.1.154.

<sup>2</sup> OJ C 176, 4.7.1987.

<sup>3</sup> OJ C 53, 25.2.1984; Bull. EC 1-1984, point 2.1.66; OJ C 205, 14.8.1985; Bull. EC 7/8-1985, point 2.1.134; OJ C 103, 30.4.1986; Bull. EC 3-1986, point 2.1.114; OJ C 121, 7.5.1987; Bull. EC 4-1987, point 2.1.102.

<sup>4</sup> OJ C 8, 13.1.1984; Bull. EC 12-1983, point 2.1.131; OJ C 205, 14.8.1985; Bull. EC 7/8-1985, point 2.1.134; OJ C 103, 30.4.1986; Bull. EC 3-1986, point 2.1.114; OJ C 121, 7.5.1987; Bull. EC 4-1987, point 2.1.102.

<sup>5</sup> Bull. EC 5-1987, point 2.1.156.

<sup>6</sup> OJ C 89, 3.4.1987; Bull. EC 2-1987, point 1.2.1 *et seq.* and point 2.1.105.

questions relating to the system of monetary compensatory amounts (→ point 2.4.6).

On 15 June the Council also received a Parliament delegation to discuss socio-structural policy and adopt definitively the measures decided on in March (→ point 2.1.180).

As at previous meetings,<sup>1</sup> the Ministers concentrated mainly on the following four points: the prices for the marketing year and the measures relating to intervention for cereals; the dismantling of existing monetary compensatory amounts (MCAs); the future arrangements for MCAs and their automatic dismantling; the proposed system for stabilizing the prices of vegetable oils and fats.

The Commission put forward a new compromise which introduced a degree of flexibility into the compromise proposed by the Belgian Presidency in May.

Despite these new proposals the Council was unable to reach an agreement and decided to tackle the whole subject again at the end of June immediately after the meeting of the European Council (→ point 1.1.4). This further meeting, which was held in the evening of 30 June, made it possible to fix agricultural prices for 1987/88 and to adopt the necessary related measures both in the agri-monetary sphere and as regards the market regulations (→ points 1.3.1, 1.32 and 2.1.148 to 2.1.166).

Lastly, at its meeting from 15 to 18 June the Council approved four proposals aimed at continuing measures to control classical swine fever (→ point 2.1.181) and two proposals for Directives concerning foodstuffs and feedingstuffs (→ points 2.1.186 and 2.1.187).

### Agricultural prices and related measures for 1987/88

2.1.148. On 30 June the Council reached an agreement on prices and related measures for 1987/88, which it formalized on 2 July.<sup>2</sup>

The Commission had presented its proposals<sup>3</sup> to the Council on 20 February, and Parliament had given its opinion on 14 May.<sup>4</sup>

The main features of the agreement are set out below.

#### Cereals

2.1.149. The Council decided to maintain the present intervention price for breadmaking common wheat, breadmaking rye and maize as well as the present 5% differential between the intervention price for breadmaking common wheat on the one hand and that of feed common wheat, feed rye, barley and sorghum on the other.

While maintaining the objective of a ratio of the price of durum wheat to the price of common wheat of 120:100, a reduction of 2.7% in the intervention price of durum wheat was agreed for 1987/88.

There will be seven monthly increases in the intervention price from November onwards until May inclusive (2.70 ECU/tonne/month for durum wheat and 2 ECU/tonne/month for the other cereals).

Buying-in will be activated only if the average Community market price is below the intervention price (activation threshold) and only from October to May). As regards common wheat, the intervention measures are activated separately for breadmaking wheat and feed wheat (for the latter, at the intervention price minus 5%). However, for Italy, Spain, Greece and Portugal, these buying-in arrangements will apply from August onwards.

Market price quotations will be recorded in a small number of Community representative export ports, minus a standard amount representing freight costs between production and exporting areas. The ports are to be chosen in relation to the relevant cereals.

The principle of 50% compensation of the income loss suffered by producers of durum wheat by a corresponding increase in the aid is maintained, which brings the amount of aid to 121.80 ECU/ha.

<sup>1</sup> Bull. EC 3-1987, point 2.1.143; Bull. EC 4-1987, point 2.1.103; Bull. EC 5-1987, point 2.1.156.

<sup>2</sup> OJ L 182, 3.7.1987; OJ L 183, 3.7.1987; OJ L 184, 3.7.1987.

<sup>3</sup> OJ C 89, 3.4.1987; Bull. EC 2-1987, point 1.2.1 *et seq.* and point 2.1.105.

<sup>4</sup> OJ C 156, 15.6.1987; Bull. EC 5-1987, point 2.1.157.

The special increases for breadmaking common wheat and breadmaking rye (respectively 3.59 and 8.97 ECU/tonne) are also retained.

The maximum moisture content for buying-in is set at 14.5%. The Council notes the Commission's undertaking to ensure that, for the 1987/88 marketing year, intervention at 15% will be allowed in any region in which the 14.5% limit would raise practical problems. In exceptional cases the 15% rate could be increased to 15.5%.

The qualitative criteria for durum wheat are relaxed by setting the maximum percentage of ingredients which are not cereals of impeccable quality at 12% in order to allow for the reincorporation of common wheat under this heading and for an increase in the percentage of broken grains to 6%.<sup>1</sup>

As regards Spain, the Commission undertakes to take, during July, special action as regards intervention in the form of buying-in if average prices on the Spanish market during the relevant month are liable to lead to massive buying-in subsequently.

The Commission undertakes to standardize buying-in payment deadlines (90 to 120 days).

The Commission also undertakes to adapt the resale conditions laid down by the Regulation of 7 July 1982<sup>2</sup> to allow for the new intervention arrangements so that, *inter alia*, the minimum selling price will correspond to the support price actually applied.

With a view to solving the agri-monetary problems engendered by the co-responsibility levy, the Commission will continue its examination of the situation and will adopt such appropriate measures as may be necessary.

For the marketing year 1987/88, by derogation from Article 4(5) of the Regulation of 29 October 1975,<sup>3</sup> at the request of a Member State, the Commission may (under the management committee procedure) authorize that Member State to levy the tax at the point of first sale (collection). Such a derogation may only be given if it does not affect the terms of competition.

The Member States having used, in 1986/87, the facility provided for in Article 4a(4) of the Regulation of 29 October 1975 allowing direct exemption of small farmers from the levy are authorized to renew this arrangement for 1987/88.

Following the alteration to the intervention system, the accession compensatory amounts will be calculated on the basis of the support price actually applied.

## Rice

2.1.150. The intervention arrangements will be adjusted in line with those for cereals, and the target price is maintained.

Before 31 December 1987 the Council will determine the varieties qualifying for aid (Indica) and their supplementary characteristics.

The Commission states that in relation to Article 18 of the Regulation of 21 June 1976<sup>4</sup> it does not intend to make proposals to place so-called 'identical goods' traffic outside the inward processing traffic arrangements.

## Sugar

2.1.151. The Council decided to keep the present price and fixed the monthly amount of reimbursement of storage costs at 0.49 ECU/100 kg (calculated with a rate of interest of 9%).

It introduced a special levy to eliminate that part of the financial losses for 1986/87 not covered by the production levies. Producers are to pay this special elimination levy by 15 December 1987.

The Council recognizes the need to take measures rapidly in order to solve the problem of the refining margin for raw cane sugar in the United Kingdom. The Commission undertakes to submit appropriate proposals in good time.

The Council notes the Commission's intention to put forward, under its proposals to be presented in the near future on the sugar production quota system, Community aid measures allowing of the adaptation of the sugar beet processing industry in the Azores during the transitional period laid down in the Accession Treaty. These measures will be applicable with effect from the 1987/88 marketing year onwards.

The Spanish sugar cane industry is exempted, on a degressive basis, during the transitional period, from participation in the sugar storage arrangements.

## Oilseeds

2.1.152. Oilseed prices are reduced compared with the previous marketing year.

<sup>1</sup> The Commission undertakes to re-examine the Greek request for authorization to accept for intervention during 1987/88 durum wheat with a maximum of 14% of ingredients which are not basic cereals of impeccable quality, including no more than 5% 'other cereals' and 6% 'broken grain'.

<sup>2</sup> OJ L 202, 9.7.1982.

<sup>3</sup> OJ L 281, 1.11.1975.

<sup>4</sup> OJ L 166, 25.6.1976.

The maximum guaranteed quantities are fixed at the following levels: for rapeseed, 3 500 000 tonnes for the Ten, 10 000 tonnes for Spain and 1 000 tonnes for Portugal; for sunflower seed, 1 700 000 tonnes for the Ten, 1 200 000 tonnes for Spain and 53 500 tonnes for Portugal; for soya beans, 1 100 000 tonnes for the Twelve.

As regards the cut-off, i.e. the limit on the reduction in target and intervention prices and in aid following the application of the maximum guaranteed quantities reform, the Council merely decided that for 1987/88 the cut-off will be equal to 10% of the target price in the case of rapeseed, sunflower seed and soya beans.

The intervention arrangements for rapeseed and sunflower seed are adjusted in line with those for cereals.

The intervention period runs from 1 October to 31 May, and there are seven monthly increases from 1 November onwards, at 20% below the 1986/87 level.

Intervention will be activated if Community market prices are below the intervention price (corrected by the cut-off): buying-in at 94% of the intervention price.

Production aid for sunflower seed produced and processed in Portugal is introduced but only for the period until 31 December 1990. The amount of the aid is equal to the difference between the Portuguese price and the world market price plus customs duties on import into Portugal.

## Olive oil

2.1.153. The ceiling on production aid for small producers is set at 200 kg.

The provisions restricting the oil-growing areas whose production is eligible for the aid are discontinued.

The Council declares its intention to introduce in 1991 the olive oil consumption aid in Portugal and in Spain at the level existing in the Community of Ten, corrected by the difference between the respective intervention prices and the incidence of the customs duties on competing oils.

## Cotton

2.1.154. It has been decided to maintain for this year the present system of calculation of the aid and to finance mechanization within producer groups.

The maximum guaranteed quantity remains set at 752 000 tonnes of unginned cotton, as set for 1986/87 and as proposed by the Commission.

The Council has also altered the co-responsibility arrangements by aligning them on those for oil-seeds, which provide for an abatement of the guide price. The resulting reduction in aid increases in line with the extent by which the maximum guaranteed quantity is exceeded. For the next three marketing years, however, the reduction in the aid is limited (15% of the guide price in 1987/88, 20% in 1988/89, 25% in 1989/90) but from 1990/91 onwards the reduction will be unlimited.

## Milk

2.1.155. To promote the restructuring of milk production, Member States are authorized to resell to certain categories of dairy farmer in the relevant areas quotas bought up in the context of a cessation-of-farming programme<sup>1</sup> applied at national, regional or collection area level.

Butter manufactured from sweet cream (NIZO process or equivalent)<sup>2</sup> may be accepted for intervention but the transitional period for intervention purchases of salted butter ends at the beginning of the 1989/90 marketing year.

The Commission will entertain restructuring projects in the dairy sector for consideration under the Regulation of 15 February 1977<sup>3</sup> according to new criteria it will establish.

The 'delivery' quotas in Spain are increased by 100 000 tonnes, 50 000 tonnes deriving from a 'direct sales' quota transfer and 50 000 tonnes deriving from an increase in the Community reserve.

The proposal concerning the designation of milk and milk products<sup>4</sup> has been adopted.

The Council takes note of the Commission's intention to reconsider the coefficient of increase of 0.26% referred to in Article 9(2) of the Regulation of 16 May 1984.<sup>5</sup>

<sup>1</sup> The Commission informed the Council that the programme for the cessation of farming mentioned in conjunction with the authorization given to Member States to sell quotas refers exclusively to the programme for the cessation of farming in the dairy sector.

<sup>2</sup> The Commission informed the Council that the rules will not specify the NIZO manufacturing process, but the result to be obtained (i.e. a butter with a pH which should not exceed a maximum level to be fixed by the management committee procedure).

<sup>3</sup> OJ L 51, 23.2.1977; OJ L 53, 25.2.1977.

<sup>4</sup> OJ C 111, 26.4.1984; Bull. EC 4-1984, point 2.1.98; Bull. EC 3-1985, point 2.1.88.

<sup>5</sup> OJ L 132, 18.5.1984; Bull. EC 5-1984, point 2.1.125.

## Sheepmeat

2.1.156. The Council will decide on the ceiling on the ewe premium in the context of its work on reviewing the market organization for sheepmeat.

The Commission intends to review the question of a possible extension of the clawback<sup>1</sup> arrangements for exports when reviewing the sheepmeat regime and undertakes to reconsider the margin between the green rate and the actual (market) rate in its proposals for adapting the market organization for sheepmeat and goatmeat.

## Wine

2.1.157. As regards compulsory distillation, the Council accepts the fact that the figure of 85% utilization relative to the average of the reference production quantities, which was adopted by the Dublin European Council,<sup>2</sup> currently creates insurmountable problems for the management of the compulsory distillation scheme. As a temporary measure the Council is asking the Commission to employ a figure which more closely reflects the actual situation, without making any changes to the conclusions reached at the Dublin European Council. In the case of Greece, the Council agrees that special arrangements should be made in 1987/88 and 1988/89, when implementing the compulsory distillation scheme, to take account of the difficulties encountered in Greece in determining yields per hectare.

The Council agreed to adopt not later than 31 December 1987 general rules for improving controls in the wine sector: These rules provide in particular for a Community structure giving special Commission officers the means to act in this connection in collaboration with the national authorities.

The Commission has noted the views expressed by some delegations with regard to its proposal concerning restrictions on replanting rights submitted as part of the 1986/87 prices package.<sup>3</sup> In the light of the increasing production and falling consumption of wine in the Community, the Commission continues to take the view that additional structural measures are necessary to stabilize the market in this sector and accordingly asks the Council to resume its examination of the proposal as soon as possible.

## Fruit and vegetables

2.1.158. The Commission proposals on fresh tomatoes were accepted, but re-examination of the arrangements remains valid for 1987/88 in the framework of the 1988/89 proposals.

In view of the adjustments to the green rates, the basic and buying-in prices were adopted as proposed by the Commission.

The Commission will take the necessary steps to ensure that for tomatoes, pears, apples, peaches and oranges the conversion factors relating to size and quality class are fixed for 1987/88 at a level which corresponds to 50% of the difference between the conversion factors fixed previously and those laid down in the Regulation of 20 November 1986,<sup>4</sup> with no conversion factor exceeding 1.

In addition, for 1987/88 the variety conversion factor will be fixed at 1 for San Marzano tomatoes and 0.85 for other plum tomatoes and Passe Crasane pears.

The remainder of the difference referred to above will be eliminated for 1988/89.

The Commission will present the Council with a proposal amending the Regulation of 18 May 1972<sup>5</sup> so as to introduce a system of basic and buying-in prices for satsumas and clementines together with a mechanism for reducing prices the following year if the quantities withdrawn from the market exceed a maximum quantity.

For the forthcoming marketing year it will make a proposal to fix these price levels on the basis of the prices recorded on the markets in the surplus areas with the lowest prices.

At the same time it will examine the need to introduce similar arrangements for mandarins and nectarines and will make appropriate proposals to the Council.

Pending the report on the market situation for citrus fruit, including the operation of the Regulation of 18 December 1969,<sup>6</sup> which the Commission intends to present in accordance with the undertaking given during the discussions on the conclusion of the agreement with the United States on citrus fruit and pasta products<sup>7</sup> (→ point 2.2.8), the Commission will make the necessary proposals to enable processing aid to be granted in respect of 1987/88 for oranges of the Shamouti variety (3 000 tonnes of raw material) and the

<sup>1</sup> Reimbursement of the variable premium.

<sup>2</sup> Bull. EC 12-1984, point 1.2.1; Bull. EC 2-1985, point 1.1.2; OJ L 88, 28.3.1985; OJ L 89, 29.3.1985; Bull. EC 3-1985, point 2.1.89.

<sup>3</sup> OJ C 85, 14.4.1986; OJ C 53, 7.3.1986; Bull. EC 2-1986, point 1.3.1 *et seq.* and point 2.1.107.

<sup>4</sup> OJ L 334, 27.11.1986.

<sup>5</sup> OJ L 118, 20.5.1972.

<sup>6</sup> OJ L 324, 27.12.1969.

<sup>7</sup> Bull. EC 7/8-1986, point 2.2.7.

Cadenera, Castellana and Macetera varieties (total of 10 000 tonnes of raw material).

In the case of all fruit and vegetables covered by the intervention system, the Commission will study, by reference to the particulars concerning the phasing of national production and prices which will be forwarded to it by all Member States, whether the periods for which the basic and buying-in prices apply (intervention timetable) should be changed. It will report to the Council and, if necessary, make suitable proposals on the occasion of the 1988/89 price review.

As regards the grant of the 2% premium in connection with the aids linked to contracts between tomato growers and processors, the percentage to be fixed as a significant percentage of contracts concluded with producer groups may be different in the case of Spain and Portugal. During the 'verification of convergence' phase in the case of Spain and during the first stage in the case of Portugal the degree to which producer groups have developed should be taken into account.

In line with the Community declaration during the accession negotiations, the Commission undertakes to present the Council with appropriate measures for extending the production aid arrangements for dried grapes to Spain and Portugal in time for them to be applied from the 1988/89 marketing year.

These proposals will take the special features of production and processing in the two countries into account.

For the purposes of Articles 118(3)(a) and 304(3)(a) of the Act of Accession concerning the fixing of a compensatory amount for processed tomato products, the Commission undertakes not to fix such a compensatory amount until it finds that the absence of one would create abnormal conditions of competition between Spanish or Portuguese processors on the one hand and processors in the rest of the Community on the other.

## Tobacco

2.1.159. The Commission maintains its proposals on prices and premiums for groups I, II and III. In the case of group IV it proposes keeping the levels applying for 1986/87 and in the case of group V it proposes limiting the reduction in the norm price to 6% and the reduction in the premium to 4%.

The Commission will closely monitor production and marketing trends for the Burley and Virginia varieties in the Community. Should the need arise, it will not fail to take appropriate market management measures to deal with any difficulties.

## Hops

2.1.160. The Council recognizes the need to take appropriate steps to deal with the difficulties facing hop growers in some regions of the Community where mainly bitter varieties are grown and where production is declining. The Council notes the Commission's intention to continue to follow trends in this sector, including the need to switch to different varieties, with close attention. In the framework of its proposal on aid for 1986 the Commission will propose structural measures to assist groups or federations of producers which meet certain criteria.

## Processing and marketing of agricultural products in Portugal

2.1.161. The Council notes the serious structural deficiencies as regards the processing and marketing of agricultural products in Portugal.

It therefore requests the Commission to make a substantial increase in the appropriations available for financing investment projects submitted by Portugal under the Regulation of 15 February 1977.<sup>1</sup>

This should be done by transfer of appropriations entered for measures reserved for the new Member States.

## Agri-monetary measures

2.1.162. On 2 July, in the framework of its decisions on agricultural prices for 1987/88 (→ point 2.1.163), the Council, acting on a proposal from the Commission,<sup>2</sup> adopted measures making important changes to the agri-monetary system.<sup>3</sup>

2.1.163. In the first place, the system for calculating monetary compensatory amounts (MCAs), known as the 'switch-over system', which was introduced in 1984 and originally restricted to the period from 1984/85 to 1986/87, was continued without any new time limit being imposed. In addition, a scheme was adopted for dismantling any new negative MCAs created in the future. It provides for the following:

<sup>1</sup> OJ L 51, 23.2.1977; OJ L 53, 25.2.1977.

<sup>2</sup> OJ C 89, 3.4.1987; Bull. EC 2-1987, points 1.2.9 to 1.2.13.

<sup>3</sup> OJ L 182, 3.7.1987.

(a) as regards 'artificial' MCAs (i.e. those which would have been positive under the conventional system for calculating MCAs):

(i) 25% elimination through devaluation of green rates accompanied by reduction in ECU prices, at the beginning of the following marketing year, with the possibility of a compensatory national social aid not linked to production;

(ii) elimination of 50% of the balance at the beginning of the second marketing year following realignment;

(iii) elimination of the remainder at the beginning of the third marketing year following realignment;

(b) as regards the other negative ('natural') MCAs:

(i) maximum 30% elimination at the time of realignment;

(ii) programme for dismantling the balance in two equal stages at the beginning of the two marketing years following realignment.

The system will be re-examined before 1 July 1988 in the light of a joint report by the Ministers for Finance and for Agriculture.

2.1.164. For pigmeat the Commission will adjust the agricultural conversion rates, using the management committee procedure, so as to prevent the creation of MCAs. However, this adjustment must not result, in the Member State concerned, in the difference between the monetary gap applicable in the pigmeat sector and that applicable in the cereals sector being more than 8 points.

The maximum neutral margin used for calculating MCAs for eggs and poultrymeat, ovalbumin and lactalbumin is raised to 5 points. If MCAs are introduced for olive oil the maximum neutral margin will be 10 points.

Lastly, differential amounts have been introduced for peas, field beans and sweet lupins, with a neutral margin of 5 points.

2.1.165. As regards the dismantling of existing MCAs,<sup>1</sup> the decisions involve the following:

(a) For positive MCAs, a 1-point reduction by 'switch-over', i.e. by conversion of 1 point of positive MCAs into negative MCAs (with effect from the beginning of the 1987/88 marketing year), and by a 0.5-point increase in the neutral margin for German MCAs (with immediate effect). For the Netherlands the MCAs are reduced by 0.5 point by a corresponding revaluation of the agricultural conversion rates. This decision also takes effect at the beginning of the 1987/88 marketing year.

In addition, with effect from the start of the 1988/89 marketing year, the German and Dutch MCAs are dismantled by 1 point by means of a corresponding adjustment of the agricultural conversion rates. Any remainder is to be dismantled at the start of the 1989/90 marketing year.

The fall in prices in Germany resulting from the 1-point dismantling for 1988/89 is offset by a national aid equal to 2 VAT points which will disappear at the end of 1988 without this aid being related to production.

(b) For the Member States with negative MCAs, in principle with effect from the start of the 1987/88 marketing year, adjustments to the agricultural conversion rates<sup>1</sup> so as to dismantle the monetary gaps as follows:

*BLEU and Denmark:* for livestock products, dismantlement of the monetary gap by 1.520 points for BLEU and 2.060 points for Denmark; for crop products, dismantlement of 2.560 points for all these countries;

*France:* beef/veal 1.5 points, milk 1.8 points, other livestock products except pigmeat 3.2 points, wine 2.8 points, and other crop products 5.0 points of dismantlement;

*Ireland:* pigmeat 1.2 points, cattle 2.8 points, other livestock products 1.3 points, and crop products 6.0 points of dismantlement;

*Italy:* dismantlement of 3.3 points for wine, 5 points for fresh fruit and vegetables and tobacco, 4.0 points for the other sectors;

*United Kingdom:* dismantlement of 5 points, except for beef/veal (6.5 points);

*Greece:* dismantlement so that prices increase by 15% for cereals, tobacco, sugar, wine, olive oil and sheepmeat; by 10% for eggs and poultry, pigmeat and other crop products; by 7% for other products; no MCAs for retsina wine;

*Portugal:* dismantlement of 14 points (12.3 points for sheep and structures);

*Spain:* dismantlement of 5.5 points.

In addition, in all Member States additional dismantling of negative MCAs resulting from 0.5 switch-over point operation except for BLEU, Denmark, Italy, Greece and Portugal.

The agricultural conversion rates for sheepmeat are unchanged unless expressly stated.

In addition, the Commission has given an undertaking to base MCA calculation on market prices

<sup>1</sup> OJ L 182, 3.7.1987.



Table 8 — Prices for individual agricultural products

Product and type of price or amount (period of application)	Decisions 1986/87		Decisions 1987/88		Spain			Portugal		
	Amounts (ECU/tonne)	% change	Amounts (ECU/tonne)	% change	Amounts (ECU/tonne)		% change	Amounts (ECU/tonne)		% change
					1986/87	1987/88		1986/87	1987/88	
1	2	3	4	5	6	7	8	9	10	11
Common wheat 1.7.1987-30.6.1988										
• Target price	256.16	+ 0.5	256.10	- 0.02	256.16	256.10	- 0.02	—	—	—
• Intervention price <sup>1</sup> for breadmaking wheat <sup>2</sup>	179.44	0	179.44	0	172.58	173.72	+ 0.66	—	—	—
• Intervention price for feed wheat	170.47	- 5.0	170.47 <sup>3</sup>	0	163.95	165.03 <sup>3</sup>	+ 0.66	—	—	—
Barley 1.7.1987-30.6.1988										
• Target price	233.86	+ 0.5	233.80	0	233.86	233.80	0	—	—	—
• Intervention price <sup>1</sup>	170.47	- 5.0	170.47	0	156.53	158.85	+ 1.48	—	—	—
Maize 1.7.1987-30.6.1988										
• Target price	233.86	+ 0.5	233.80	0	233.86	233.80	0	—	—	—
• Intervention price <sup>1</sup>	179.44	0	179.44	0	172.58	173.72	+ 0.66	—	—	—
Sorghum 1.7.1987-30.6.1988										
• Target price	233.86	+ 0.5	233.80	0	233.86	233.80	0	—	—	—
• Intervention price <sup>1</sup>	170.47	- 5.0	170.47	0	156.53	158.85	+ 1.48	—	—	—
Rye 1.7.1987-30.6.1988										
• Target price	233.86	- 0.3	233.80	0	233.86	233.80	0	—	—	—
• Intervention price <sup>1</sup> for rye <sup>4</sup>	170.47	- 5.9	170.47	0	159.05	160.95	+ 1.19	—	—	—
Durum wheat 1.7.1987-30.6.1988										
• Target price	357.70	0	357.70	0	357.70	357.70	0	—	—	—
• Intervention price <sup>1</sup>	299.60	- 4.0	291.59	- 2.67	211.06	219.78	+ 4.13	—	—	—
• Aid (ECU/ha)	113.79	+ 12.3	121.80	+ 7.00	16.26	33.85	+ 108.18	—	—	—
Rice 1.9.1987-31.8.1988										
• Target price — husked rice	548.37	0	548.37	0	548.37	548.37	0	—	—	—
• Intervention price <sup>1</sup> — paddy rice	314.19	0	314.19	0	248.88	259.76	+ 4.37	—	—	—
Sugar 1.7.1987-30.6.1988										
• Basic price for sugarbeet	40.89	0	40.89	0	47.98	47.98	0	43.72	43.72	0
• Intervention price for sugarbeet	541.80	0	541.80	0	627.80	627.80	0	501.20	510.00	+ 1.8

Product and type of price or amount (period of application)	Decisions 1986/87		Decisions 1987/88		Spain			Portugal		
	Amounts (ECU/tonne)	% change	Amounts (ECU/tonne)	% change	Amounts (ECU/tonne)		% change	Amounts (ECU/tonne)		% change
					1986/87	1987/88		1986/87	1987/88	
1	2	3	4	5	6	7	8	9	10	11
Olive oil 1.11.1987-31.10.1988										
• Production target price	3 225.6	0	3 225.6	0	3 225.6	3 225.6	0	3 225.6	3 225.6	0
• Intervention price	2 162.4	- 5.0	2 162.4	0	1 346.1	1 448.1	+ 7.6	1 996.5	2 017.2	+ 1.0
• Production aid	709.5	0	709.5	0	145.7	208.3	+ 43.0	71.0	141.9	+ 99.9
Rape seed 1.7.1987-30.6.1988										
• Target price	464.1	0	450.2	- 3.0	408.9	402.6	- 1.5	464.6	450.2	- 3.0
• Intervention price <sup>1</sup>	421.5	0	407.6	- 3.3	366.3	360.0	- 1.7	421.1	407.6	- 3.3
Sunflower seed 1.8.1987-31.7.1988										
• Target price	583.5	0	583.5 <sup>5</sup>	0	428.3	445.5 <sup>5</sup>	+ 4.0	583.5	583.5 <sup>5</sup>	0
• Intervention price <sup>1</sup>	534.7	0	534.7 <sup>5</sup>	0	379.5	396.7 <sup>5</sup>	+ 4.5	534.7	534.7 <sup>5</sup>	0
Soya beans 1.9.1987-31.8.1988										
• Guide price	575.8	0	558.5	- 3.0	423.4	427.1	+ 0.9	675.8	558.5	- 3.0
• Minimum price	506.7	0	489.4	- 3.4	354.3	358.0	+ 1.0	506.7	489.4	- 3.4
Dried fodder 1.5.1987-30.4.1988										
• Fixed-rate aid	8.49	0	0	—	1.21	0	—	1.21	0	—
• Guide price	178.92	0	178.92	0	152.45	156.86	+ 2.9	178.92	178.92	0
Peas and field beans 1.7.1987-30.6.1988										
• Activating price	509.6	+ 0.6	447.6	- 12.2	509.6	447.6	- 12.2	509.6	447.6	- 12.2
• Guide price	328.0	+ 1.0	295.2	- 10.0	328.0	295.2	- 10.0	328.0	295.2	- 10.0
• Minimum price — peas	286.3	+ 1.0	257.7	- 10.0	286.3	257.7	- 10.0	286.3	257.7	- 10.0
— field beans	276.2	+ 1.0	248.6	- 10.0	276.2	248.6	- 10.0	276.2	248.6	- 10.0
Lupins 1.7.1987-30.6.1988										
• Activating price	485.0	+ 0.5	430.5	- 11.2	449.6	404.3	- 10.1	485.0	430.5	- 11.2
• Minimum price	321.1	+ 1.0	289.0	- 10.0	299.0	271.9	- 9.1	321.0	289.0	- 10.0
Flax 1.8.1987-31.7.1988										
• Guide price (seed)	554.1	0	554.1	0	468.1	477.7	+ 2.1	554.1	554.1	0
• Fixed-rate aid (fibre) (per ha)	355.09	0	355.09	0	50.73	101.46	+ 100.0	50.73	101.46	+ 100.0

Hemp	1.8.1987-31.7.1988										
• Fixed-rate aid (per ha)		322.48	0	322.48	0	46.07	92.14	+ 100.0	46.07	92.14	+ 100.0
Silk worms	1.4.1987-31.3.1988										
• Aid per box of sikseed		108.67	0	112.00	+ 3.0	15.52	31.60	+ 103.6	15.52	31.60	+ 103.6
Cotton	1.9.1987-31.8.1988										
• Guide price		960.2	0	960.2	0	960.2	960.2	0	960.2	960.2	0
• Minimum price		912.3	0	912.3	0	912.3	912.3	0	912.3	912.3	0
Milk	1.7.1987-31.3.1988										
• Target price		278.4	0	278.4	0	—	—	—	—	—	—
Butter											
• Intervention price		3 132.0	0	3 132.0	0	3 480.7	3 436.0	- 1.3	—	—	—
Skimmed milk powder											
• Intervention price		1 740.4	0	1 740.4	0	2 378.8	2 319.6	- 2.5	—	—	—
Grana padano cheese 30-60 days											
• Intervention price		3 889.3	0	3 889.3	0	—	—	—	—	—	—
Grana padano cheese 6 months											
• Intervention price		4 803.3	0	4 803.3	0	—	—	—	—	—	—
Parmigiano-Reggiano 6 months											
• Intervention price		5 291.9	0	5 291.9	0	—	—	—	—	—	—
Beef/veal	6.7.1987-3.4.1988										
• Guide price for adult bovines <sup>6</sup>		2 050.2	0	2 050.2	0	2 050.2	2 050.2	0	—	—	—
• Intervention price quality R 3 cat. A <sup>7</sup>		3 500.0	0	3 440.0	- 1.7	3 024.0	3 440.0 <sup>8</sup>	+ 13.8	—	—	—
• Intervention price quality R 3 cat. C <sup>7</sup>		3 350.0	0	3 440.0	+ 2.7	3 024.0	3 440.0 <sup>8</sup>	+ 13.8	—	—	—
Sheepmeat	6.1.1988-3.1.1989										
• Basic price (carcass weight)		4 323.2	0	4 323.2	0	4 323.2	4 323.2	0	4 323.2	4 323.2	0
Pigmeat	1.11.1987-31.10.1988										
• Basic price (carcass weight)		2 033.3	0	2 033.3	0	2 033.3	2 033.3	0	—	—	—
Fruit and vegetables — Basic price											
• Cauliflowers	1.7.1987-30.4.1988				0	—	—	—	—	—	—
• Tomatoes	1.6.1987-30.11.1987				0	—	—	—	—	—	—
• Peaches	1.6.1987-30.9.1987				- 5.0	—	—	—	—	—	—
• Lemons	1.6.1987-31.5.1988				- 2.5	—	—	—	—	—	—
• Pears	1.7.1987-30.4.1988				0	—	—	—	—	—	—
• Table grapes	1.8.1987-31.10.1987		9		0	—	—	—	—	—	—
• Apples	1.8.1987-31.5.1988				0	—	—	—	—	—	—
• Mandarins	16.11.1987-29.2.1988				- 5.0	—	—	—	—	—	—
• Sweet oranges	1.12.1987-31.5.1988				- 2.5	—	—	—	—	—	—
• Apricots	1.7.1987-31.7.1987				- 5.0	—	—	—	—	—	—
• Aubergines	1.7.1987-31.10.1987				0	—	—	—	—	—	—

Product and type of price or amount (period of application)	Decisions 1986/87		Decisions 1987/88		Spain			Portugal		
	Amounts (ECU/tonne)	% change	Amounts (ECU/tonne)	% change	Amounts (ECU/tonne)		% change	Amounts (ECU/tonne)		% change
					1986/87	1987/88		1986/87	1987/88	
1	2	3	4	5	6	7	8	9	10	11
Table wine 1.9.1987-31.8.1988										
• Guide price Type RI	3.42	0	3.35	- 2,0	2.11	2.28	+ 8.1	—	—	—
• Guide price Type RII	3.42	0	3.35	- 2.0	2.11	2.28	+ 8.1	—	—	—
• Guide price Type RIII	53.30	0	52.23	- 2.0	32.88	35.55	+ 8.1	—	—	—
• Guide price Type AI	3.17	0	3.11	- 2.0	1.95	2.11	+ 8.2	—	—	—
• Guide price Type AII	71.02	0	69.60	- 2.0	43.74	47.32	+ 8.2	—	—	—
• Guide price Type AIII	81.11	0	79.49	- 2.0	49.96	54.05	+ 8.2	—	—	—
Seeds	various aids	0		up to + 10%			up to + 10%			up to + 10%

<sup>1</sup> For 1987/88 buying-in will be at 94% of the intervention price

<sup>2</sup> For 1986/87 this price is increased by 3.59 ECU/tonne for a higher quality. The same increase is proposed for 1987/88.

<sup>3</sup> This price results from the application of a maximum reduction of 5.0% (5% in 1986/87).

<sup>4</sup> For 1986/87 the price is increased by a special bonus of 8.97 ECU/tonne for rye of breadmaking quality. The same increase has been decided on for 1987/88.

<sup>5</sup> Price for a quality with a moisture content of 9% instead of 10%.

<sup>6</sup> Price expressed per tonne live weight.

<sup>7</sup> In the light of the Council's 1984 conclusions, 1987/88 is the first marketing year in which the intervention price is for carcass weight instead of live weight.

<sup>8</sup> Following the Council's December 1986 decision, the guide and intervention prices in the beef/veal sector apply in Spain also; this decision involves the elimination of the national aid for slaughtering

<sup>9</sup> Changes in withdrawal prices in 1986/87: cauliflowers +1, tomatoes -7.5, peaches -7.5, lemons - 2.5, pears 0, table grapes 0, apples 0, mandarins - 2.5, sweet oranges - 2.5, apricots - 4, aubergines + 1. The changes in basic prices in 1987/88 entail an equivalent change in the withdrawal price.

Table 9 — *Prices for tobacco*

Products	1986 harvest decisions		1987 decisions EEC 12 <sup>1</sup>	
	% change on 1985		% change on 1986	
1	2		3	
<b>Group</b>				
I				
3. Virgin D				
7. Bright				
17. Basmas	Price	0		
18. Katerini	Premium	0	Price	+ 3
26. Virgin El. <sup>2</sup>			Premium	+ 5
31. Virgin Esp.	Price	0		
33. Virgin Port.	Premium	—		
II				
2. Bad. Burley	Price	- 2		
8. Burley I	Premium	- 2		
9. Maryland	Price/premium	0	Price	0
25. Burley El. <sup>3</sup>	Price/premium	- 2	Premium	+ 3
32. Burley Esp.	Price	- 2		
34. Burley Port.	Premium	—		
III				
1. Bad. Geud.				
4. Paraguay	Price	- 4		
5. Nijkerk	Premium	- 4		
6. Missionero				
10. Kentucky	Price/premium	0	Price	+ 2
16. Round Tip	Price/premium	- 4	Premium	+ 2
27. Santa Fé	Price	- 4		
	Premium	—		
28. Burley fermenté	Price	- 6		
29. Havana Esp.	Premium	—		
30. Round Scafati	Price	- 4		
	Premium	—		
IV				
13. Xanti-Yaka	Price	- 4		
14. Perustitza	Premium	- 4		
15. Erzegovina			Price	0
19. K.K. classic	Price/premium	- 2	Premium	0
20. K.K. non-classic	Price/premium	- 4		
21. Myrodata Ag.	Price	- 2		
22. Zichnomyrodata	Premium	- 2		
V				
11. Forch. Havana				
12. Beneventano	Price	- 6	Price	- 6
23. Tsebelia	Premium	- 6	Premium	- 4
24. Mavra				

<sup>1</sup> First fixing in 1986.<sup>2</sup> For the 1986 harvest the price increase was 9.1% and the increase in the premium 69.5%.<sup>3</sup> As the result of applying Article 13 of Regulation 727/70 to Burley El., for the 1987 harvest the final level of the premium for that variety is 26,6% up on 1986 while the intervention price is reduced by around 11,8% (by reducing the ratio between the intervention price and the norm price to 75% instead of 85%).

in the cereals and milk sectors, provided the reduction compared with the intervention price is not more than 7.5% and 5% respectively and 20% for beef/veal; the calculation of differential amounts for oilseeds will be based on the target price less 7.5%.

2.1.166. On the basis of this revision of the agri-monetary system and taking into account the changes in agricultural conversion rates,<sup>1</sup> the Commission:

(i) on 3 July amended<sup>2</sup> its Regulation of 11 November 1985 laying down detailed rules for the calculation of monetary compensatory amounts;<sup>3</sup>

(ii) on 3 July fixed the MCAs applicable in the agricultural sector from 1 July and certain coefficients and rates required for their application;<sup>2</sup>

(iii) amended<sup>4</sup> the Council Regulation of 11 June 1985<sup>5</sup> as regards the agricultural conversion rates for the pigmeat sector in the United Kingdom.

## Market organizations

### Cereals

2.1.167. On 25 June, acting on a proposal from the Commission<sup>6</sup> after receiving Parliament's endorsement,<sup>7</sup> the Council adopted a Regulation on special arrangements for imports of maize and sorghum into Spain from 1987 to 1990<sup>8</sup> which follows on from the agreement concluded with the United States in January<sup>9</sup> under GATT Article XXIV.6 to permit imports of maize and sorghum with a reduced levy.

### Milk and milk products

2.1.168. On 3 June the Commission adopted a Regulation<sup>10</sup> laying down detailed rules for applying the Council Regulation of 16 March<sup>11</sup> as regards the buying-in of intervention butter. Under the Council Regulation the Commission may decide to suspend buying-in by the intervention agencies when the quantities offered

for intervention since 1 March 1987 exceed 180 000 tonnes. The Commission Regulation lays down the conditions for suspending and re-establishing buying-in and the rules for recording the market prices of butter whose level determines whether buying-in should be re-established.

2.1.169. On 5 June the Commission also adopted a Regulation which lays down the rules for the sale of butter to intervention agencies in accordance with the tendering procedure.<sup>12</sup> This possibility is provided for in the Council Regulation of 16 March<sup>11</sup> in the event of buying-in being suspended because the 180 000-tonne limit has been exceeded.

Since the quantities of butter offered for intervention since 1 March 1987 totalled 180 101 tonnes on 19 June, on 25 June the Commission decided to suspend buying-in throughout the Community.<sup>13</sup> Following this suspension, it decided to open the tendering procedure; the first deadline for the submission of tenders expires on 14 July.

2.1.170. As in previous marketing years, on 30 June the Commission decided<sup>14</sup> to grant aid for the private storage of certain cheeses (Emmental, Gruyère, Pecorino romano, Kefalotyri and Kasseri), as seasonal storage had proved an effective means of improving market balance.

### Beef/veal

2.1.171. On 25 June the Council adopted two Regulations<sup>15</sup> opening, allocating and

<sup>1</sup> OJ L 182, 3.7.1987.

<sup>2</sup> OJ L 186, 6.7.1987.

<sup>3</sup> OJ L 310, 21.11.1985.

<sup>4</sup> OJ L 185, 4.3.1987.

<sup>5</sup> OJ L 164, 24.6.1985; Bull. 6-1985, point 2.1.115.

<sup>6</sup> OJ C 160, 18.6.1987; Bull. EC 5-1987, point 2.1.158.

<sup>7</sup> OJ C 190, 20.7.1987.

<sup>8</sup> OJ L 170, 30.6.1987.

<sup>9</sup> OJ L 98, 10.4.1987; Bull. EC 1-1987, points 1.2.1 and 1.2.2.

<sup>10</sup> OJ L 144, 4.6.1987.

<sup>11</sup> OJ L 78, 20.3.1987; Bull. EC 3-1987, point 2.1.150.

<sup>12</sup> OJ L 146, 6.6.1987.

<sup>13</sup> OJ L 167, 26.6.1987.

<sup>14</sup> OJ L 174, 1.7.1987.

<sup>15</sup> OJ L 176, 1.7.1987.

providing for the administration of Community tariff quotas of:

(i) 42 600 head of heifers and cows, other than those intended for slaughter, of certain mountain breeds, falling within CCT sub-heading ex 01.02 A II; and

(ii) 5 000 head of bulls, cows and heifers, other than those intended for slaughter, of certain Alpine breeds, falling within CCT sub-heading ex 01.02 A II.

These two Regulations extend the validity of the two tariff quotas<sup>1</sup> of live animals of mountain and Alpine breeds for the period from 1 July 1987 to 30 June 1988.

2.1.172. On 5 June the Commission adopted a Regulation<sup>2</sup> laying down detailed rules for the application of the import arrangements provided for by the Council Regulation of 18 May opening a special import tariff quota for high-quality beef.<sup>3</sup>

2.1.173. On 29 June the Commission adopted a Regulation<sup>4</sup> bringing the Regulations on the sale of intervention stocks into line with its Regulation of 22 July 1985 laying down common detailed rules for the application of the system of securities for agricultural products.<sup>5</sup>

### Sheepmeat

2.1.174. On 23 June the Commission adopted a Regulation<sup>6</sup> providing for the grant of private storage aid for lambs in region 7 (Spain and Portugal) in order to support market prices in the region.

### Wine

2.1.175. On 19 June Parliament adopted a resolution on management problems in the 1983/84 wine year, the production of synthetic wines, in particular wines to which methanol has been added, and the consequences for the EAGGF Guarantee Section

of withdrawing such wines from the market (→ point 2.4.19)<sup>7</sup>

### Tobacco

2.1.176. The Commission, in pursuit of its policy to dispose of Community stocks of raw tobacco from the 1985 harvest, on 25 June adopted a Regulation on the putting up for sale by tender, for export without refunds, of 7 373 581 kg of baled tobacco held by the Greek intervention agency.<sup>8</sup>

2.1.177. On 26 June the Commission adopted a Regulation<sup>9</sup> extending until 31 December 1987 the Regulations of 4 January 1984,<sup>10</sup> 5 March 1985<sup>11</sup> and 13 February 1986<sup>12</sup> fixing export refunds for raw tobacco from the 1983, 1984 and 1985 harvests.

### Seeds

2.1.178. On 1 June the Commission amended<sup>13</sup> for the fifth time<sup>14</sup> its Regulation of 30 June 1986 fixing countervailing charges on seeds.<sup>15</sup>

2.1.179. On 22 June the Commission adopted a Regulation amending the list of varieties of *Lolium perenne* L.<sup>16</sup> This Regulation will enter into force on 1 July and takes account of the varieties which will be marketed in 1987/88.

<sup>1</sup> OJ L 150, 4.6.1986; Bull. EC 5-1986, point 2.1.49; OJ L 63, 6.3.1987; Bull. EC 3-1987, point 2.1.153.

<sup>2</sup> OJ L 146, 6.6.1987.

<sup>3</sup> OJ L 133, 22.5.1987; Bull. EC 6-1987, point 2.1.163.

<sup>4</sup> OJ L 170, 30.6.1987.

<sup>5</sup> OJ L 205, 3.8.1985.

<sup>6</sup> OJ L 164, 24.6.1987.

<sup>7</sup> OJ C 190, 20.7.1987.

<sup>8</sup> OJ L 167, 26.6.1987.

<sup>9</sup> OJ L 168, 27.6.1987.

<sup>10</sup> OJ L 4, 6.1.1984.

<sup>11</sup> OJ L 65, 6.3.1985.

<sup>12</sup> OJ L 39, 14.2.1986.

<sup>13</sup> OJ L 142, 2.6.1987.

<sup>14</sup> OJ L 117, 5.4.1987; Bull. EC 5-1987, point 2.1.171.

<sup>15</sup> OJ L 173, 1.7.1986; Bull. EC 6-1986, point 2.1.197.

<sup>16</sup> OJ L 163, 23.6.1987.

## Structures

### Socio-structural measures

2.1.180. Following a conciliation meeting with Parliament, on 15 June the Council formally adopted<sup>1</sup> the Regulation concerning the adjustments to the socio-structural policy<sup>2</sup> on which it had reached agreement by a qualified majority in March.<sup>3</sup> These adjustments are intended to help restore balance between output and market capacity, improve the efficiency of farms by developing and reorganizing farm structures, protect the environment and conserve agriculture's natural resources and, lastly, to maintain a viable farming community in the countryside, including mountain and less-favoured areas.

### Legislation

#### Veterinary and animal husbandry legislation

2.1.181. The Council signified its agreement in principle to four proposals<sup>4</sup> which, pursuant to the commitment given on 7 April,<sup>5</sup> are intended to continue measures to control classical swine fever for a further period of four years.

The Council accordingly:

(i) extended the financial means provided by Decision 80/1096/EEC of 11 November 1980<sup>6</sup> and to that end provided for an estimated contribution of about 35 million ECU;

(ii) reinforced certain aspects of the Directive of 22 January 1980 introducing control measures;<sup>7</sup>

(iii) supplemented Directive 80/1095/EEC of 11 November 1980<sup>6</sup> so as to provide for the forwarding by Member States of plans supplementing their programmes for the control of classical swine fever;

(iv) extended until 31 December 1991 the derogations<sup>8</sup> allowed to Member States which are officially free from classical swine

fever and which are not therefore required to import live pigs or the meat thereof from Member States continuing to vaccinate.

2.1.182. As regards animal health, the Commission adopted Decisions approving the following plans presented by Spain: the reinforced plan for the eradication of African swine fever,<sup>9</sup> the accelerated plan for the eradication of classical swine fever<sup>10</sup> and the accelerated plans for the eradication of bovine brucellosis, tuberculosis<sup>11</sup> and leukosis.<sup>9</sup> The Commission also approved the accelerated plan for the eradication of bovine brucellosis and tuberculosis put forward by Portugal.<sup>9</sup>

2.1.183. Since the technical conditions were met, on 26 June the Commission recognized certain regions of Greece and France as being officially free of classical swine fever.

Because of the measures taken by the Luxembourg authorities, Luxembourg's officially swine-fever-free status was maintained even though an outbreak of classical swine fever had been recorded.<sup>12</sup>

2.1.184. In the light of the situation prevailing in Italy with regard to foot-and-mouth disease, the Commission gave financial aid to France, from the emergency fund, for the vaccination of cattle, goats and sheep before they were sent to Alpine pastures on the frontier between France and Italy. Outbreaks of exotic foot-and-mouth disease occurred in parts of southern Zimbabwe, and the Commission took the necessary protective measures.<sup>10</sup>

<sup>1</sup> OJ L 167, 26.6.1987.

<sup>2</sup> OJ C 273, 29.10.1986; Bull. EC 4-1986, point 1.3.1 *et seq.*; Bull. EC 12-1986, point 2.1.244.

<sup>3</sup> Bull. EC 3-1987, point 2.1.176.

<sup>4</sup> OJ C 295, 21.11.1986; Bull. EC 11-1986, point 2.1.198.

<sup>5</sup> OJ L 99, 11.4.1987; Bull. EC 4-1987, point 2.1.118.

<sup>6</sup> OJ L 325, 1.12.1980; Bull. EC 11-1980, point 2.1.67.

<sup>7</sup> OJ L 47, 21.2.1980; Bull. EC 1-1980, point 2.1.46.

<sup>8</sup> OJ L 121, 29.7.1964; OJ L 302, 31.12.1972.

<sup>9</sup> OJ L 132, 21.5.1987.

<sup>10</sup> OJ L 133, 22.5.1987.

<sup>11</sup> OJ L 146, 6.6.1987.

<sup>12</sup> OJ L 133, 22.5.1987; OJ L 159, 19.6.1987.



2.1.185. As regards public health, on 8 May the Commission recognized<sup>1</sup> that the staff medical check-up scheme submitted by the Netherlands offered equivalent guarantees and on 28 April it granted the Netherlands a derogation in respect of the cutting of fresh meat, while laying down equivalent health conditions to be observed.<sup>2</sup>

### Foodstuffs and feedingstuffs legislation

2.1.186. The Council approved the proposal for a Directive laying down Community rules for extraction solvents used in the food sector, in particular the drawing up of positive lists of solvents which are authorized either for all uses or subject to certain quite specific conditions of use.<sup>3</sup>

Member States will have to conform to this Directive no later than 36 months after its notification.

2.1.187. The Council also approved the proposal for a Directive<sup>4</sup> supplementing Community laws on animal feedingstuffs in order to protect animal and human health.<sup>5</sup> This mainly involves fixing maximum levels for pesticide residues in animal feedingstuffs.

Member States will have to comply with this Directive no later than 3 December 1990.

### Competition

2.1.188. Under the terms of Articles 92 to 94 of the EEC Treaty the Commission decided to make no comment on the introduction of the following proposed schemes which had been duly notified.

#### *Germany*

Aid for scientific research with a view to the reintroduction of seed flax cultivation.

#### *Bavaria*

Measures to support horse breeding. Variation of an existing scheme, reducing the

rates of aid and including the Trakehner breed and breeds of 'small horses' in the selection programme.

Measures to safeguard useful breeds of sheep and cattle threatened with extinction.

#### *Baden-Württemberg*

Measures to safeguard a useful breed of pig (Schwäbisch-Hällische Rasse) threatened with extinction.

#### *Belgium*

Application of the Economic Expansion Act of 17 July 1959, setting up a vegetable freezing firm. This involves investment aid under the fruit and vegetables programme.

#### *Italy*

#### *Calabria*

Bill No 339/3 on aid for the development of stockfarming. The measures are designed to improve stockfarming conditions and to make it easier to take part in fairs and shows.

#### *Netherlands*

Aid for research in the mushroom industry, with the principal aim of protecting the environment.

#### *United Kingdom*

Home-grown sugar beet: variation of an existing scheme by slightly raising the tax levied on beet and sugar producers. Aid intended to finance the Home Grown Sugar Beet Fund for the purposes of research and education.

<sup>1</sup> OJ L 126, 15.5.1987.

<sup>2</sup> OJ L 123, 12.5.1987.

<sup>3</sup> OJ C 312, 17.11.1983; Bull. EC 10-1983, point 2.1.16; OJ C 77, 23.3.1985; Bull. EC 3-1985, point 2.1.11.

<sup>4</sup> OJ C 197, 18.8.1977.

<sup>5</sup> OJ L 221, 7.8.1986, Bull. EC 5-1986, point 2.1.138.

Environmentally sensitive areas: Breadalbane and Loch Lomond. Aids intended to conserve and protect the environment by the adoption of special farming methods.

#### Isle of Man

Beef Cow Subsidy Scheme 1983 and Hill Cow Subsidy Scheme 1986: increase for 1987 in existing schemes intended to maintain cattle production in a region where the EEC market organizations do not apply.

#### Portugal

##### Madeira

Programme for restructuring and converting vineyards. This is an income aid scheme for farmers engaged in converting their vineyards.

2.1.189. The Commission decided to initiate the Article 93(2) procedure in respect of the following measures:

##### Germany

Aid for a pilot project for the reintroduction of seed flax cultivation: the measure complained of takes the form of an operating aid per hectare paid to producers.

##### Baden-Württemberg

Measure for the maintenance of sheep and goat farming. This is an aid granted per head of livestock.

#### Italy

##### Calabria

Bill No 339/3 on aid for the development of stockfarming. This bill concerns premiums per head either for the purchase of male breeding animals or for maintaining livestock.

#### Sicily

Creation of a regional fund to promote citrus fruit exports. It involves the grant of interest-rate subsidies to cover the costs of exporting.

Bill on a regional aid for distilling wine.

2.1.190. The Commission decided to terminate the Article 93(2) procedure in respect of the following measures:

##### Germany

Aid to compensate for livestock lost as a result of diseases, and bearing of the cost of treatment.<sup>1</sup>

##### France

Aid for milk producers consisting in paying part of their social security contributions.<sup>2</sup>

The procedure initiated in respect of this measure has become redundant as a result of the Council's Decision of 16 March authorizing the French Government to grant the aid.<sup>3</sup>

2.1.191. The Commission decided to close the file on an Irish aid (exchange rate guarantee for new agricultural development purposes).<sup>4</sup> The aid takes the form of an exchange rate guarantee for investments, resulting in a reduction of interest rates. This measure should be examined in the light of socio-structural policy.

#### Forestry

2.1.192. On 10 June the Commission adopted three Regulations<sup>5</sup> concerning rules for the implementation of the Council Regulations of 17 November 1986 on the protection of the Community's forests

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<sup>1</sup> Bull. EC 7/8-1986, point 2.1.174.

<sup>2</sup> Bull. EC 1-1987, point 2.1.106.

<sup>3</sup> OJ L 78, 20.3.1987; Bull. EC 3-1987, point 2.1.152.

<sup>4</sup> Bull. EC 7/8-1986, point 2.1.174.

<sup>5</sup> OJ L 161, 22.6.1987.

against atmospheric pollution (acid rain) and fire.<sup>1</sup>

These Regulations lay down:

(i) as regards atmospheric pollution, the rules for making the forest damage inventory, i.e. establishing the Community network of forest observation plots, drawing up the forest health report and paying the financial aid granted;

(ii) as regards fire, the rules for paying the financial aid granted.

## European Agricultural Guidance and Guarantee Fund

### Guarantee Section

2.1.193. On 1 June the Commission sent the Council a proposal<sup>2</sup> for amendments to Regulation 1883/78 of 2 August 1978 laying down general rules for the financing of intervention by the Guarantee Section of the EAGGF.<sup>3</sup> The amendments have two objectives: to update the list of measures financed by the Guarantee Section and to make the Commission rather than the Council responsible for updating the list as necessary in future.

#### *Clearance of accounts.*

2.1.194. On 19 June the Commission adopted the Decision on the clearance of the Guarantee Section's accounts for the 1983 financial year.<sup>4</sup> Contrary to previous practice a single decision now covers clearance for the 10 Member States in question (Spain and Portugal are not yet involved).

The refusal to bear certain agricultural expenditure incurred by the Member States which was decided on in the framework of the 1983 clearance relates to around 77.3 million ECU, which becomes available for the current financial year. The possibility of refusing Community financing, at the time of clearance, for expenditure which has not been incurred in accordance with Community provisions provides the Commission with a valuable means of ensuring

uniform application of Community law in the field covered by the EAGGF.

Specifically, the following amounts were excluded from EAGGF financing:

Belgium	BFR	22 637 216.00
Denmark	DKR	54 048 347.31
Germany (FR)	DM	1 100 908.24
Greece	DR	1 349 428 898.00
France	FF	86 802 272.67
Ireland	IRL	708 062.16
Italy	LIT	14 194 651 116.00
Luxembourg	LFR	20 316 803.00
Netherlands	HFL	38 467 183.52
United Kingdom	UKL	22 020 365.70

In this context, the Commission decided to dissociate certain cases from 1983 and carry them forward to the following clearance year:

(i) the grant of export refunds for processed products in France (FF 70 744 375.40),

(ii) the grant of aid for the production of dried fodder in France (FF 225 105 039.00),

(iii) the expenditure resulting from the sale of beef in Italy to special recipients (LIT 335 186 067),

(iv) the grant of financial compensation in the fisheries industry in Italy (LIT 592 175 210),

(v) the grant of export refunds for certain cheeses in the Netherlands (HFL 224 709.76).

The Commission also said that it was willing to re-examine some Italian dossiers for which financing had been refused in this clearance exercise, provided Italy supplied additional supporting information. The cases involved were the following:

(i) aid for the consumption of olive oil in Italy (LIT 5 761 104 981),

(ii) extension of the validity of an export licence (LIT 1 439 671 971).

<sup>1</sup> OJ L 326, 21.11.1986; Bull. EC 11-1986, point 2.1.203.

<sup>2</sup> COM(87) 196 final.

<sup>3</sup> OJ L 216, 5.8.1978.

<sup>4</sup> OJ L 195, 16.7.1987.

On the other hand, some expenditure for which Community financing is currently authorized may still be re-examined later, particularly in cases where special inquiries or infringement proceedings involving national aids in particular are at present in progress.

The clearance of accounts decisions for 1984 and 1985 are now being prepared and the Commission should adopt them before the end of July.

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2.1.195. On 19 June Parliament delivered an opinion<sup>1</sup> on the proposal for a Regulation on the monitoring of the payment of the amounts granted on export of agricultural products.<sup>2</sup> It asks the Commission to examine ways of obliging the Member States to impose severe sanctions in the event of serious violations of the provisions applicable.

2.1.196. On 19 June Parliament also adopted a resolution on the system for the payment of refunds on agricultural products (→ point 2.4.19).<sup>1</sup>

## Fisheries

### Resources

#### *Internal aspects*

#### Community measures

#### *TACs and quotas*

2.1.197. On 30 June the Council, acting on a Commission proposal,<sup>3</sup> amended<sup>4</sup> for the second time<sup>5</sup> its Regulation of 22 December 1986 fixing, for certain fish stocks and groups of fish stocks, the total allowable catches (TACs) for 1987 and certain conditions under which they may be fished.<sup>6</sup> The new Regulation increases the TAC for cod, the share of the TAC available to the Community and the quotas allocated

to the Member States of the stock of cod in the Norwegian Sea (EC zone) and the North Sea. It also sets the TAC FOR herring in the West Scotland (excluding Clyde), Rockall and South Faeroe zone.

#### *Technical measures*

2.1.198. On 9 June the Council adopted, on a proposal from the Commission,<sup>7</sup> a Regulation<sup>8</sup> fixing the minimum mesh size for pelagic trawls used in fishing for blue whiting in that part of the area covered by the Convention on Future Multilateral Cooperation in the North-East Atlantic Fisheries<sup>9</sup> which extends beyond the maritime waters falling within the fisheries jurisdiction of Contracting Parties to the Convention.

2.1.199. On 25 June the Commission sent the Council a proposal<sup>10</sup> amending for the second time<sup>11</sup> a Regulation of 7 October 1986 laying down certain technical measures for the conservation of fishery resources.<sup>12</sup> This raises the minimum mesh size in the English Channel from 75 to 80 mm for all authorized target species from 1 January 1989 and raises the minimum mesh size in the Skagerrak and Kattegat to 90 mm for all authorized target species and to 35 mm for prawns and shrimps (*Pandalus borealis*, *Crangon spp* and *Leander adspersus*) from the same date.

#### *Prohibition measures*

2.1.200. On the basis of information supplied by the national authorities on the exhaustion of certain quotas the Commission prohibited:

<sup>1</sup> OJ C 190, 20.7.1987.

<sup>2</sup> OJ C 29, 6.2.1987. Bull. EC 1-1987, point 2.1.114.

<sup>3</sup> COM(87) 288 final.

<sup>4</sup> OJ L 179, 3.7.1987.

<sup>5</sup> OJ L 129, 19.5.1987; Bull. EC 5-1987, point 2.1.179.

<sup>6</sup> OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.252.

<sup>7</sup> Bull. EC 4-1987, point 2.1.129.

<sup>8</sup> OJ L 153, 13.6.1987.

<sup>9</sup> OJ L 227, 12.8.1981; Bull. EC 7/8-1981, point 2.1.126.

<sup>10</sup> COM(87) 283 final.

<sup>11</sup> OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.257.

<sup>12</sup> OJ L 288, 11.10.1986; Bull. EC 10-1986, point 2.1.174.

(i) German vessels from fishing for cod in ICES divisions I and II (Norwegian waters north of latitude 60°N) with effect from 29 May;<sup>1</sup>

(ii) Dutch vessels from fishing for saithe in ICES divisions II a (EC zone), III a, III b, c, d (EC zone) and IV with effect from 26 May,<sup>2</sup> for sole in ICES divisions VIII a and b with effect from 6 June,<sup>3</sup> and for cod in ICES division III a (Skagerrak) with effect from 13 June;<sup>4</sup>

(iii) Belgian vessels from fishing for whiting in ICES division VII (except VII a) with effect from 24 June;<sup>5</sup>

(iv) Belgian, Danish, Dutch, Greek, Irish, Italian and Luxembourg vessels from fishing for cod in ICES division II b;<sup>3</sup>

(v) all Community vessels except Spanish and Portuguese from fishing for horse mackerel in ICES division VIII (except VIII c) with effect from 26 June.<sup>6</sup>

2.1.201. By a Regulation adopted on 15 June the Commission prohibited fishing for cod by vessels flying the flag of Belgium in ICES divisions VII (except VII a), VIII, IX, X and Cefac 34.1.1 (EC zone) with effect from 7 June.<sup>3</sup> On Belgium's providing corrected figures showing that the quota had not in fact been exhausted, the Commission, on 26 June, changed the date on which it was to enter into force to 29 June.<sup>4</sup>

## National measures

### *Protection of local stocks*

2.1.202. On 16 June the Commission, under Article 14 of the Council Regulation of 7 October 1986,<sup>7</sup> took note of two French orders, the first applying to fishery reserves in the Trieux, Jaudy and Arguenon rivers and the Penze and Dossen tideways, and the second to a number of estuaries in Brittany. All the fisheries concerned are located shoreward of French base-lines.

### *Measures stricter than Community rules*

2.1.203. On 9 June the Commission took note of a draft French decree restricting

underwater fishing. It found that the provisions to be enacted, applying to French fishermen only, met the requirements of Article 14(1)(b) of the Regulation of 7 October 1986.<sup>7</sup>

### *Measures to give effect to Community rules*

2.1.204. The Commission took note of the following national measures:

(a) four Irish orders:

(i) an Order of 1986 giving effect to certain provisions of the Commission Regulation of 12 December 1985<sup>8</sup> and of the Council Regulation of 31 December 1985<sup>9</sup> on fishing by Spanish and Portuguese vessels respectively in Irish waters;

(ii) an Order of 1986 giving effect to certain provisions of the Council Regulations of 20 December 1985 ((EEC) Nos 3726/85,<sup>10</sup> 3731/85<sup>11</sup> and 3734/85,<sup>12</sup> the period of validity of the last of which was extended by the Regulation of 20 January 1986<sup>13</sup>) on fishing by Swedish, Faeroese and Norwegian vessels respectively in Irish waters;

(iii) an Order of 1986 amending the Sea Fisheries (Control of Catches) Order 1986, already approved by the Commission on 6 October 1986,<sup>14</sup> to take account of the amendments to the Regulation of 29 June 1982<sup>15</sup> made by the Regulation of 20 December 1985;<sup>16</sup>

<sup>1</sup> OJ L 152, 12.6.1987.

<sup>2</sup> OJ L 146, 6.6.1987.

<sup>3</sup> OJ L 157, 17.6.1987.

<sup>4</sup> OJ L 168, 27.6.1987.

<sup>5</sup> OJ L 174, 1.7.1987.

<sup>6</sup> OJ L 167, 26.6.1987.

<sup>7</sup> OJ L 288, 11.10.1986; Bull. EC 10-1986, point 2.1.174.

<sup>8</sup> OJ L 336; 14.12.1985; Bull. EC 12-1985, point 2.1.187.

<sup>9</sup> OJ L 363, 31.12.1985; Bull. EC 12-1985, point 2.1.187.

<sup>10</sup> OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.193.

<sup>11</sup> OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.192.

<sup>12</sup> OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.194.

<sup>13</sup> OJ L 17, 23.1.1986.

<sup>14</sup> Bull. EC 10-1986, point 2.1.177.

<sup>15</sup> OJ L 220, 29.7.1982; Bull. EC 6-1982, point 2.1.129.

<sup>16</sup> OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.185.

(iv) an Order of 1986 regulating fishing by vessels of other Member States in Irish waters and of Irish vessels in fishing zones where Ireland has a quota by giving effect to certain provisions of Regulation (EEC) No 3721/85 of 20 December 1985,<sup>1</sup> as amended by Regulation (EEC) No 3777/85 of 31 December 1985<sup>2</sup> and renewed by Regulation (EEC) No 114/86 of 20 January 1986,<sup>3</sup> of Regulation (EEC) No 3724/85 of 20 December 1985<sup>4</sup> and of Regulation (EEC) No 3780/85 of 31 December 1985;<sup>5</sup>

(b) on 9 June, two United Kingdom Orders, one giving effect as of 1 January 1987 to certain provisions of the Regulation of 22 December 1986<sup>6</sup> setting TACs and quotas for 1987, and one giving effect to certain provisions of Regulations (EEC) Nos 4029/86 of 18 December 1986,<sup>7</sup> 4037/86<sup>8</sup> and 4039/86,<sup>9</sup> both of 22 December 1986, on fishing by Norwegian, Swedish and Faeroese vessels respectively in United Kingdom waters.

## External aspects

### Bilateral relations

#### Gambia

2.1.205. On 2 June the Council, acting on a Commission proposal,<sup>10</sup> adopted a Regulation concerning the conclusion of the Agreement between the European Economic Community and the Government of The Gambia on fishing off The Gambia and adopting provisions for its application.<sup>11</sup>

The Agreement was signed in Brussels on 25 May.<sup>12</sup>

#### Seychelles

2.1.206. On 15 June the Council, acting on a Commission proposal,<sup>13</sup> adopted a Regulation<sup>14</sup> concerning the conclusion of the Agreement between the European Economic Community and the Republic of Seychelles on fishing off Seychelles.

#### Madagascar

2.1.207. On 15 June the Council, acting on a Commission proposal,<sup>15</sup> adopted a Regulation<sup>14</sup> concerning the conclusion of the Agreement amending the Agreement between the European Economic Community and the Government of the Democratic Republic of Madagascar on fishing off the coast of Madagascar, signed at Antananarivo on 28 January 1986.<sup>16</sup>

#### Mozambique

2.1.208. On 19 June Parliament endorsed<sup>17</sup> a proposal for a Regulation<sup>18</sup> on conclusion of the Agreement between the Community and the Government of the People's Republic of Mozambique on fishing off Mozambique.

#### Guinea-Bissau

2.1.209. A three-year fisheries Agreement between the Community and Guinea-Bissau<sup>19</sup> was signed in Brussels on 29 June. A protocol to the Agreement provides for fishing by Community tuna vessels, long-liners and trawlers.

In return Guinea-Bissau will receive compensation in the form of a contribution to a scientific programme and of five-year training grants.

<sup>1</sup> OJ L 361, 21.12.1986.

<sup>2</sup> OJ L 363, 31.12.1985; Bull. EC 12-1985, point 2.1.182.

<sup>3</sup> OJ L 17, 23.1.1986.

<sup>4</sup> OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.184.

<sup>5</sup> OJ L 363, 31.12.1985; Bull. EC 12-1985, point 2.1.187.

<sup>6</sup> OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.252.

<sup>7</sup> OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.265.

<sup>8</sup> OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.266.

<sup>9</sup> OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.267.

<sup>10</sup> OJ C 42, 20.2.1987; Bull. EC 2-1987, point 2.1.157.

<sup>11</sup> OJ L 146, 6.6.1987.

<sup>12</sup> Bull. EC 5-1987, Point 2.1.190.

<sup>13</sup> OJ C 81, 28.3.1987; Bull. EC 3-1987, point 2.1.188.

<sup>14</sup> OJ L 160, 20.6.1987.

<sup>15</sup> OJ C 81, 28.3.1987.

<sup>16</sup> Bull. EC 1-1986, point 2.1.122; OJ L 73, 18.3.1986; Bull. EC 2-1986, point 2.1.139.

<sup>17</sup> OJ C 190, 20.7.1987.

<sup>18</sup> OJ C 79, 26.3.1987.

<sup>19</sup> OJ L 113, 30.4.1987; Bull. EC 4-1987, point 2.1.134.

2.1.210. The Joint Committee responsible for management of the Agreement on fisheries between the Community and Guinea-Bissau met in Brussels on 29 and 30 June. All matters relating to the state of application of the Agreement were fully discussed.

### *Somalia*

2.1.211. Exploratory conversations on a fisheries agreement between the Community and Somalia were held in Mogadishu on 10 June. It was agreed to begin negotiations in October.

## Multilateral relations

### *International Council for the Exploration of the Sea*

2.1.212. In June the Commission signed on behalf of the Community a Cooperation Agreement, in the form of an exchange of letters, with the International Council for the Exploration of the Sea (ICES).<sup>1</sup> It had approved the draft agreement in April.<sup>2</sup>

### *Convention on the Conservation of Antarctic Marine Living Resources*

2.1.213. On 25 June the Commission sent the Council a proposal<sup>3</sup> for amendment of the Regulation of 2 August 1985 laying down certain technical measures for the conservation of fish stocks in the Antarctic.<sup>4</sup> This will bring into application by the Community certain conservation measures adopted by the Commission administering the Convention on the Conservation of Antarctic Marine Living Resources,<sup>5</sup> entailing prohibition of direct fishing of *Notothenia rossi* in the peninsular sub-area and off the South Orkneys, reduction to a minimum of by-catches during fishing of other species and establishment of detailed rules for determining mesh sizes.

### *Baltic Sea, Belts and Sound*

2.1.214. On 25 June the Commission sent the Council a proposal<sup>6</sup> for amendment of

the Regulation of 12 June 1986 laying down certain technical measures for the conservation of fishery resources in the waters of the Baltic Sea, the Belts and the Sound.<sup>7</sup>

### *North Atlantic Salmon Conservation Organization*

2.1.215. The Community, represented by the Commission, participated in the fourth annual meeting of the North Atlantic Salmon Conservation Organization, held in Edinburgh from 8 to 12 June. Agreement was reached on a regulatory measure restricting salmon fishing within the Faeroese economic zone from 1987 to 1989.

### *International Whaling Commission*

2.1.216. The Commission represented the Community as observer at the 39th meeting<sup>8</sup> of the International Whaling Commission, held at Bournemouth from 22 to 26 June.

## Markets and structures

### *Structural policy*

#### Structural measures

2.1.217. On 16 June<sup>9</sup> the Commission approved a Regulation on detailed rules for applying the provisions on encouragement of exploratory fishing contained in the Council Regulation of 18 December 1986 on Community measures to improve and adapt structures in the fisheries and aquaculture sector.<sup>10</sup>

<sup>1</sup> OJ L 149, 10.6.1987.

<sup>2</sup> Bull. EC 4-1987, point 2.1.137.

<sup>3</sup> COM(87) 269 final.

<sup>4</sup> OJ L 210, 7.8.1985; Bull. EC 7/8-1985, point 2.1.176.

<sup>5</sup> OJ L 252, 5.9.1981.

<sup>6</sup> COM(87) 268 final.

<sup>7</sup> OJ L 162, 18.6.1986; Bull. EC 6-1986, point 2.1.216.

<sup>8</sup> Bull. EC 6-1986, point 2.1.218.

<sup>9</sup> OJ L 180, 3.7.1987

<sup>10</sup> OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.285.

2.1.218. On 19 June Parliament adopted a resolution on the development of aquaculture in the Community (→ point 2.4.19).<sup>1</sup>

### State aids

2.1.219 The Commission decided not to object to:

(i) financing by the Danish Trout Fund in 1987 of action to promote sales, boost production and encourage international cooperation and of veterinary control and disease prevention work, the entire budget of DKR 2.978 million being derived from a levy on trout produced in Denmark;

(ii) aid in the form of a 20-30% subsidy on the purchase of treatment equipment and the construction of temporary storage tanks for freshwater fish in Bavaria, the total budget for both schemes being DM 150 000 for 1987;

(iii) a scheme of financial assistance for investment in sea fisheries in France (construction and modernization of vessels) for the purpose of adjustment to the new fishing fleet financing provisions laid down in the Council Regulation of 18 December 1986 on Community measures to improve and adapt structures in the fisheries and aquaculture sector.<sup>2</sup>

2.1.220. On 19 June Parliament adopted a resolution on national aids in the fisheries sector (→ point 2.4.19).<sup>1</sup>

## Transport

### Council

2.1.221. The Council met three times in June to discuss transport matters. On 9, 24 and 25, and 30 June the Ministers discussed air transport, and on 24 and 25 June they also covered certain aspects of inland transport.

Substantive agreement was reached on a range of air transport questions (fares, capacity, market access, competition), but

the agreement could not be formalized as no solution could be found to the special problem of Gibraltar airport as regards market access (→ point 2.1.228).

The Council continued its discussions concerning access to the road haulage market.<sup>3</sup> It decided that the Community quota for 1987 should be increased by 40% (→ point 2.1.223). It also carried out a preliminary examination of three proposals concerning the conditions under which non-resident carriers can carry out national transport operations (cabotage)<sup>4</sup> and a preliminary exchange of views concerning the proposal to amend the Council Directive of 29 December 1976 on the approximation of the laws of the Member States relating to roadworthiness tests for motor vehicles and their trailers.<sup>5</sup> On a proposal from the Presidency, the Council adopted a resolution aiming at eliminating distortions of competition in the road haulage industry.

The Council approved the Directive on access to the occupation of carrier of goods by inland waterway (→ point 2.1.227).

## Inland transport

### Road transport

#### Access to the market

2.1.222. On 30 June the Council decided<sup>6</sup> — on a proposal from the Commission,<sup>7</sup> after receiving the opinion of Parliament<sup>1</sup> — to increase the Community quota by 40% for the rest of the year and determined how the additional Community authorizations would be allocated among Member States. This Decision is the first stage in

<sup>1</sup> OJ C 190, 20.7.1987.

<sup>2</sup> OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.285.

<sup>3</sup> OJ C 65, 12.3.1987; Bull. EC 11-1986, point 2.1.228.

<sup>4</sup> OJ C 331, 20.12.1985; OJ C 349, 31.12.1985; Bull. EC 11-1985, point 2.1.166; OJ C 77, 24.3.1987; Bull. EC 2-1987, point 2.1.169.

<sup>5</sup> OJ C 133, 31.5.1986; Bull. EC 4-1986, point 2.1.151.

<sup>6</sup> OJ L 179, 3.7.1987.

<sup>7</sup> OJ C 87, 2.4.1987; Bull. EC 3-1987, point 2.1.197.



easing the transition towards the removal by 1992/93 of quantitative restrictions on access to the international road haulage market. In addition, Member States will be authorized to convert each of these additional authorizations into six short-term authorizations valid for one month, which will make for the greatest flexibility in their use.

### Technical aspects

2.1.223. In response to the opinions of Parliament<sup>1</sup> and the Economic and Social Committee,<sup>2</sup> on 30 June the Commission amended<sup>3</sup> its proposal<sup>4</sup> to amend the Council Directive of 29 December 1976 on roadworthiness tests for motor vehicles and their trailers.<sup>5</sup> In particular, it accepted Parliament's amendment for the effective implementation of the Directive.

2.1.224. At its June part-session Parliament adopted a resolution on 1986 — Road Safety Year: progress and prospects (→ point 2.4.19).<sup>6</sup>

### Social conditions

2.1.225. The French Government consulted the Commission about a draft decree and a circular on the implementation of the Council Regulations of 20 December 1985 on the harmonization of certain social legislation relating to road transport and on recording equipment (tachograph) in road transport.<sup>7</sup> As both texts are consistent with the Community Regulations, the Commission issued a favourable opinion on 30 June.

### Inland waterways

#### Access to the occupation

2.1.226. At its meeting on 24 and 25 June the Council approved a Directive on access to the occupation of carrier of goods by inland waterway in national and international transport and on the mutual recognition of diplomas, certificates and other

evidence of formal qualifications for this occupation.<sup>8</sup> Unlike the two Directives of 12 November 1974,<sup>9</sup> this new Directive does not apply to passenger transport and simply lays down provisions concerning carriers' professional competence, leaving it to the Member States to maintain or establish rules concerning good repute and financial standing. It also gives the Member States the option of not applying its provisions to carriers operating exclusively on inland waterways which are not connected to the waterway network of another Member State.

### Air transport

2.1.227. After its three meetings in June the Council reached agreement on a package of measures but could not formally adopt them because of a conflict between the Spanish and British Governments on the problem of sovereignty over Gibraltar airport.

The main features of the agreement are set out below.

*Fares.*<sup>10</sup> There would be a system of tariff brackets for the approval of promotional fares for scheduled air services between Member States. Within these brackets approval would be automatic provided they complied with certain criteria.

Subject to certain conditions, carriers would be able to offer discount and deep-discount fares. Discount fares would be between 65 and 90% of the economy class fare and deep-discount fares would be between 45 and 65% of the reference fare.

<sup>1</sup> OJ C 76, 23.3.1987; Bull. EC 2-1987, point 2.1.167.

<sup>2</sup> OJ C 333, 29.12.1986; Bull. EC 10-1986, point 2.4.43.

<sup>3</sup> OJ C 183, 11.7.1987.

<sup>4</sup> OJ C 133, 31.5.1986; Bull. EC 4-1986, point 2.1.151.

<sup>5</sup> OJ L 47, 18.2.1977.

<sup>6</sup> OJ C 190, 20.7.1987.

<sup>7</sup> OJ L 370, 31.12.1985; Bull. EC 12-1985, point 2.1.124.

<sup>8</sup> OJ C 351, 24.12.1983; Bull. EC 12-1983, point 2.1.196;

OJ C 214, 14.8.1984; Bull. EC 7/8-1984, point 2.1.170.

<sup>9</sup> OJ L 308, 19.11.1974.

<sup>10</sup> OJ C 78, 30.3.1982; Bull. EC 10-1981, point 2.1.139; Bull. EC 2-1984, point 2.1.149.

*Capacity.*<sup>1</sup> Carriers would receive automatic approval for increases in capacity on bilateral links provided that the capacity shares do not exceed 55/45% in the first two years and 60/40% in the third year.

*Access to the market.*<sup>1</sup> The provisions concern the access of Community carriers to links between Member States:

(i) Member States could designate two or more of their carriers to operate scheduled services;

(ii) carriers would be authorized to establish third or fourth freedom scheduled services between first-category airports in one Member State and regional airports in another Member State; a few airports would be temporarily excluded;

(iii) carriers could combine services to or from two or more points in one or more other Member States;

(iv) subject to certain conditions, Community carriers would be able to operate scheduled services between two Member States other than their own State of registration ('fifth freedom' right).

*Application of the competition rules to air transport.*<sup>2</sup> There would be detailed procedures for applying Articles 85 and 86 of the EEC Treaty to international services between Community airports. The Commission would also have the option of granting block exemptions for certain agreements and concerted practices.

2.1.228. At its June part-session Parliament approved<sup>3</sup> the proposal for a Council Regulation concerning block exemptions for certain agreements and concerted practices,<sup>4</sup> and called upon the Council to take a decision on this without delay.

## Energy

### Council

2.1.229. The Council met on 2 June and considered for the first time the extent to

which the energy sector could contribute to the completion of the internal market in the Community by the end of 1992. As a first step the Commission will draw up an inventory of barriers to trade in energy.

On the basis of the Commission's communication of 19 December 1986,<sup>5</sup> after reviewing the general situation and the outlook on the energy market, the Council adopted conclusions on the importance of natural gas in the Community's energy supply. While recognizing that the short-term energy situation was relatively favourable, it went on to emphasize that in view of the many uncertainties, medium and long-term developments should be monitored very closely. One particular area of uncertainty concerns possible developments in energy efficiency. On the basis of a Commission communication on various ways of improving energy efficiency,<sup>6</sup> the Council called on the Commission to conduct a detailed examination of specific energy efficiency initiatives in the Community and to send it appropriate proposals aimed at a further 20% improvement in energy efficiency by 1995.

The Council also assessed the financial measures taken by the Community to aid the lignite and peat industries and discussed the implications for the refining industry of meeting the various environmental standards. Finally, it took note of progress made with matters relating to the effects of the Chernobyl accident.

## Specific problems

### Solid fuels

#### *The market*

2.1.230. On 19 June the Commission adopted, with a view to consulting the

<sup>1</sup> OJ C 182, 9.7.1984; Bull. EC 2-1984, point 2.1.149.

<sup>2</sup> OJ C 182, 9.7.1984; Bull. EC 2-1984, point 2.1.149; Bull. EC 7/8-1986, point 2.1.211.

<sup>3</sup> OJ C 190, 20.7.1987.

<sup>4</sup> Bull. EC 7/8-1986, point 2.1.211.

<sup>5</sup> Bull. EC 12-1986, point 2.1.304.

<sup>6</sup> Bull. 11-1986, point 2.1.232; Bull. EC 5-1987, point 2.1.204.

ECSC Consultative Committee, a report entitled 'The market for solid fuels in the Community in 1986 and the outlook for 1987'. According to the report, in 1986 the Community's total coal production increased by 5% compared with 1985, mostly due to the recovery after the miners' strike in the UK in 1984 and 1985. Consumption remained nearly constant at 328 million tonnes in 1986 (330 million tonnes in 1985). The forecasts for 1987 indicate a further slight decrease in the production and consumption of solid fuels. Their share of overall energy consumption will be 22% in 1987 compared with 23.1% in 1985. The dramatic fall in the price of oil pulled down the price of other fuels. The gap between the price of imported coal and the cost of production within the Community has progressively widened. Producers' stocks of hard coals and coke increased again in 1986, whereas they had fallen in the two previous years.

2.1.231. At its meeting on 26 June the ECSC Consultative Committee gave its opinion on this report (→ point 2.4.28).

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2.1.232. A conference on 'Coal in the heat market' was organized by the Commission on 22 and 23 June as part of the 750th anniversary celebrations of Berlin, and advantage was taken of the occasion to give more prominence to the work carried out within the Community's solid fuel research, development and demonstration programme as well as to discuss other developments in this sector in Europe.

### **Relations with countries producing or importing energy**

2.1.233. Mr Nicolas Mosar, Member of the Commission with special responsibility

for energy policy, was in China from 5 to 15 June on an official visit which enabled him to take stock of the extensive cooperation between the Community and the People's Republic in the field of energy. Mr Mosar's numerous meetings in Peking and the four provinces visited by him confirmed the tremendous importance attached to this cooperation, which is producing practical results. Mr Mosar opened a centre which will be training nuclear safety inspectors — in addition to the 2 200 staff already trained with the Community's assistance.

It should be emphasized that cooperation between the Community and China will benefit both sides, as it should provide the Community with reliable information on China's energy resources and its potential for supplying the world market.

## **Nuclear safety**

### **Radiation protection**

2.1.234. On 12 June the Commission, acting under Article 37 of the Euratom Treaty, delivered a favourable opinion on the nuclear power station planned for Torness in the United Kingdom.<sup>1</sup>

### **International cooperation**

2.1.235. Commission representatives took part in an Advisory Group meeting aimed at reviewing the functions and responsibilities of the International Atomic Energy Agency in implementing the early notification and emergency assistance conventions.<sup>2</sup>

<sup>1</sup> OJ L 189, 9.7.1987.

<sup>2</sup> Bull. EC 9-1986, point 2.1.161.

## 2. External relations

### New round of multilateral trade negotiations

2.2.1. On 22 June the Council took note of the Commission's proposal concerning the Community offer on tropical products in the Uruguay Round, with the corresponding negotiating directives. Presenting the proposal, Mr De Clercq stressed its political importance and substantive nature.

The Commission's proposal calls for the fullest possible liberalization of the tariff and non-tariff arrangements for both agricultural and industrial tropical products, ranging from significant cuts in duties to their total elimination. It also envisages the phasing-out of quantitative restrictions. These measures will be subject to four conditions:

- (i) fair access to the markets of the Community's main trading partners (multilateral burden-sharing);
- (ii) reciprocal concessions from the main beneficiary countries;
- (iii) reduction or total elimination of restrictions on exports of tropical primary products;
- (iv) consideration of the views of the least-developed countries as regards maintenance of the preferential margins from which they benefit.

The Community's offer will be confirmed in the course of the negotiations only in so far as its partners agree to make a comparable response.

### Commercial policy

#### Implementing the common commercial policy

##### *Commercial policy instruments*

##### Amendment of the anti-dumping Regulation

2.2.2. On 22 June the Council adopted a Regulation,<sup>1</sup> on a proposal from the Com-

mission,<sup>2</sup> amending its Regulation of 23 July 1984 on protection against dumped or subsidized imports from countries not members of the European Economic Community.<sup>3</sup> The amended Regulation lays down that an anti-dumping duty will be levied on products released into the Community market after assembly or production in the Community, where such assembly or production has been carried out by an undertaking which is related to or associated with any of the manufacturers whose exports of the product are subject to a definitive anti-dumping duty; where assembly or production was begun or substantially increased after the opening of the anti-dumping proceeding; and where the value of parts or materials used in the assembly or production operation which originate in the country exporting the product subject to an anti-dumping duty exceeds by at least 50 % the value of all other parts or materials used.

##### Easing of restrictive measures

2.2.3. Under the Council Regulation of 14 November 1983 on import arrangements for products originating in State-trading countries, not liberalized at Community level,<sup>4</sup> the Commission took the following measures:

##### *Opening of quotas*

*Italy-Soviet Union:* unwrought aluminium, alloyed, waste recast into ingots (CCT 76.01 ex A);<sup>5</sup>

*Spain-People's Republic of China:* tableware and other articles of a kind commonly used for domestic or toilet purposes, of porcelain or china (including biscuit porcelain and parian) (CCT 69.11);<sup>5</sup>

<sup>1</sup> OJ L 167, 26.6.1987.

<sup>2</sup> OJ C 67, 14.3.1987, Bull. EC 2-1987, point 2.2.2.

<sup>3</sup> OJ L 201, 30.7.1984.

<sup>4</sup> OJ L 346, 8.12.1983.

<sup>5</sup> OJ C 153, 11.6.1987.

*Italy-People's Republic of China:* steel wire, zinc-coated (including galvanized) (CCT ex 73.14, Nimexe code 73.14-11);<sup>1</sup>

*Italy-Hungary:* unwrought aluminium billets (CCT 76.01 ex A);<sup>1</sup>

*Italy-German Democratic Republic:* ball, roller or needle roller bearings (CCT 84.62);<sup>1</sup>

*Spain-Soviet Union:* motor vehicles for the transport of persons, goods or materials (including sports motor vehicles, other than those of heading No 87.09) (CCT 87.02);<sup>2</sup>

*Italy-Albania:* TNT (CCT ex 36.02);<sup>3</sup>

*Italy-Hungary:* aluminous cement (ciment fondu) (CCT ex 25.23); regenerated textile fibres of viscose (discontinuous), not carded, combed or otherwise prepared for spinning (Nimexe code 56.01 - 21, category ex 126);<sup>3</sup>

*Italy-Soviet Union:* trinitrotoluene (CCT 20.03 B 1);<sup>3</sup>

*Italy-People's Republic of China:* textile products (categories 118, 119 and 120);<sup>3</sup>

*Italy-Soviet Union:* unwrought aluminium, alloyed, waste recast into ingots and unwrought aluminium, not alloyed (CCT 76.01 ex A);<sup>4</sup>

*Spain-Bulgaria:* tobramycin sulphate (CCT 29.44 ex C);<sup>5</sup>

*Spain-Soviet Union:* polyvinyl chloride (CCT 39.02 C VII);<sup>5</sup>

*United Kingdom-Soviet Union:* textile products (category 2).<sup>6</sup>

#### *Modification of quotas*

*United Kingdom-German Democratic Republic:* textile products (categories 37 and 50).<sup>7</sup>

#### *Export credits*

2.2.4. On 22 June the Council adopted a Decision transposing into Community law,

with a view to its application in the Community, the agreement<sup>8</sup> reached between the participants in the OECD Arrangement on Guidelines for Officially Supported Export Credits, the aim of which is to impose greater discipline and transparency in the field of tied aid credits.

### **Individual sectors<sup>9</sup>**

#### *Textiles*

#### **Agreements and arrangements with non-member countries**

##### *MFA countries*

2.2.5. A Commission delegation was in Peking from 1 to 14 June for consultations about the administration of the Agreement between the Community and China on trade in textile products. The talks were followed by seminars on the implementation of the Harmonized System,<sup>10</sup> held at Xi'an and in the Nanjing region.

2.2.6. There were also consultations between the Community and the Philippines in Brussels on 22 and 23 June. The Community agreed to an increase in the quantitative limit for category 4 (T-shirts) in accordance with the provisions of the bilateral textile trade agreement.

### **Relations with industrialized countries**

#### **Western Economic Summit**

2.2.7. The 13th Western Economic Summit took place in Venice from 8 to 10 June (→ points 1.2.1 *et seq.* and 3.7.1 *et seq.*).

<sup>1</sup> OJ C 158, 16.6.1987.

<sup>2</sup> OJ C 162, 20.6.1987.

<sup>3</sup> OJ C 164, 23.6.1987.

<sup>4</sup> OJ C 170, 27.6.1987.

<sup>5</sup> OJ C 172, 30.6.1987.

<sup>6</sup> OJ C 174, 2.7.1987.

<sup>7</sup> OJ C 167, 25.6.1987.

<sup>8</sup> Bull. EC 2-1987, point 2.2.6.

<sup>9</sup> For steel products, see points 2.1.29 to 2.1.40.

<sup>10</sup> Bull. EC 4-1987, point 2.1.49.

At the end of the Summit an Economic Declaration was adopted, together with three statements on political issues (East-West relations, terrorism, and the Iraq-Iran war and freedom of navigation in the Gulf) and one on AIDS.

## United States

### *Citrus fruit and pasta disputes*

2.2.8. The latest round of negotiations between the Commission and the United States on the pasta dispute ended on 27 June without any agreement being reached. In this long-standing dispute<sup>1</sup> the two sides still disagree not only about the level but about the very legality of Community export refunds on this product, despite the agreement on citrus fruit reached on 10 August 1986.<sup>2</sup>

On 22 June the Council, while pointing out that the pasta issue could not be separated from the August 1986 agreement on citrus fruit, of which it forms an integral part, took note of the Commission's intentions regarding the continuation of negotiations with the United States. Above all, the negotiations must neither call into question the principles of the common agricultural policy nor prejudice the Community's position on the issue of refunds in the Uruguay Round multilateral trade negotiations.

## Canada

### *Twice-yearly high-level consultations*

2.2.9. The latest round of high-level consultations between Canadian and Commission officials took place in Ottawa on 2 and 3 June.<sup>3</sup> The Commission delegation was led by Mr Giola, Deputy Director-General, and the Canadian delegation by Mr Mitchell, Assistant Deputy Minister in the Department of External Affairs. Each side stressed the generally positive bilateral relationship and the relative unimportance of their various disagreements on trade.

The main issues raised by the Commission were the recent change in the Canadian

tariff classification of pasta (which results in a 10% duty on a range of products which were previously duty-free), the problem of Greek and Portuguese cheese exports, the Canadian countervailing duty on Community beef exports, the continued concern over certain aspects of the draft Canadian legislation on pharmaceuticals, and the contention that Canada is not respecting GATT procedures in its proposed investigation of French drywall screw exports.

The Canadian delegation reiterated its objections to the Community ban on hormones in meat production, and the proposed stabilization mechanism in the oils and fats sector. They also expressed concern about possible Community action against Canadian lumber imports to protect against the pinewood nematode, as well as the implications for their whisky of the draft Community Regulation on spirituous beverages. They gave their assessment of the state of the GATT Article XXIV(6) negotiations and requested a full settlement of their outstanding rights on quality wheat and barley.

On seed potatoes Canada appreciated the positive approach of the Commission, whereas on liquor boards it was recognized that efforts to achieve a bilateral understanding had failed.

## European Free Trade Association

### *Joint committees*

2.2.10. The joint committees set up under the EEC-Switzerland and ECSC-Switzerland, EEC-Austria and ECSC-Austria, EEC-Finland and ECSC-Finland free trade agreements met in Brussels on 10, 11 and 12 June respectively.<sup>4</sup>

<sup>1</sup> Bull. EC 10-1985, point 2.3.11.

<sup>2</sup> Bull. EC 7/8-1986, point 2.2.7; under the citrus fruit agreement the Community and the United States had agreed to try and settle the pasta dispute either by 1 July 1987 or by the time Congress was to incorporate the citrus fruit agreement into domestic legislation.

<sup>3</sup> Previous round: Bull. EC 11-1986, point 2.2.10.

<sup>4</sup> Previous meetings: Bull. EC 12-1986, point 2.2.15.

Among the topics discussed were international economic questions, the new GATT round of trade negotiations, the operation of the agreements, the implementation of the Luxembourg Declaration of 9 April 1984 on cooperation between the Community and EFTA countries<sup>1</sup> and cooperation outside the agreements. In the context of the Luxembourg Declaration, the successful meeting at Interlaken on 20 May between the Ministers of the EFTA countries and Mr De Clercq<sup>2</sup> received wide comment.

All parties expressed satisfaction at the smooth functioning of the agreements and hoped that cooperation could be extended beyond the field of trade relations.

2.2.11. The EEC-Iceland Joint Committee met in Reykjavik on 18 June.<sup>3</sup> Bilateral relations, especially in the fishing sector, were the main topic on the agenda. Commission representatives explained the Community's trade arrangements for 1987, which provide for various autonomous quotas for cod and white fish on an *erga omnes* basis in addition to the GATT-bound quotas. This Commission expressed its desire for a bilateral dialogue on fisheries, but the Icelandic authorities, though not opposed in principle to such talks, were reluctant to contemplate any move which would result in access to their economic zone.

## Norway

### *Annual high-level consultations*

2.2.12. The seventh high-level meeting at ministerial level took place this year in Tromsø on 1 June.<sup>3</sup> Norway was represented by Mr Thorvald Stoltenberg, the Foreign Minister, and Mr Kurt Mosbakk, Minister for Trade and Shipping, the Commission by Mr Willy De Clercq. This type of meeting forms an important part of the overall dialogue between Norway and the Community, and this time was of particular relevance because of the government's presentation to the Norwegian Parliament in May of a White Paper on Norway, the

Community and European cooperation, with a strong emphasis on political cooperation.<sup>4</sup>

The Ministers and Mr De Clercq reviewed in depth the short-term follow-up to Community/EFTA cooperation on the basis of the guidelines recently adopted in Interlaken.<sup>2</sup>

Progress was made on the few outstanding bilateral issues in the fisheries and textile sectors, and the Community provided clarification of its anti-dumping policy and its proposal for a tax on oils and fats. Requests were presented on matters of Community interest, including the trade arrangements for processed agricultural products.

Emphasizing that completion of the internal market and implementation of the Community research and technology programme should not widen the gap between Norway and the Community, the two sides focused mainly on ways of further developing their already excellent relations.

The participants also stressed the importance of the conclusions of the OECD ministerial meeting<sup>5</sup> and the need in this connection for substantial progress to be made in the Uruguay Round.

## Switzerland

2.2.13. Mr Blankart, Switzerland's State Secretary for External Economic Affairs, visited the Commission on 25 June, where he met Mr Natali, Mr Narjes, Lord Cockfield, Mr De Clercq and Mr Clinton Davis, with whom he discussed issues relating to the internal market, the environment and development aid, the scope for closer cooperation between the Community and EFTA, and the prospects for the Uruguay Round.

<sup>1</sup> Bull. EC 4-1984, point 1.2.1 *et seq.*

<sup>2</sup> Bull. EC 5-1987, point 2.2.14.

<sup>3</sup> Previous meeting: Bull. EC 6-1986, point 2.2.20.

<sup>4</sup> Bull. EC 5-1987, point 2.2.15.

<sup>5</sup> Bull. EC 5-1986, point 2.2.42.

## Relations with other countries and regions

### New approach to industrial cooperation with certain countries in Latin America, Asia, the Gulf and the Mediterranean

2.2.14. On 22 June the Council adopted conclusions (→ point 3.6.1) based on a communication from the Commission aimed at extending the Community's development policies and strengthening industrial cooperation between the Community and the countries of Latin America, Asia, the Gulf and the Mediterranean by means of an approach specifically geared to the needs of these countries.<sup>1</sup>

A different approach is needed towards these relatively advanced developing countries because the traditional type of development aid is not so relevant to them. This has led the Community to propose new forms of cooperation, including industrial cooperation, which aims at establishing links between the two sides' small businesses. The means proposed to achieve this include access to European data banks, in-service training both in Europe and in the other countries involved to increase the generally inadequate presence of European companies in those countries and the use of financial engineering and joint ventures, especially in the services sector.

### Mediterranean countries

#### The enlarged Community's Mediterranean policy

2.2.15. In accordance with the Council's Decision of 26 May,<sup>2</sup> the protocols adapting the Cooperation Agreements with Algeria and Egypt were signed on 25 June. There are two types of protocol, which were drawn up following the Community's enlargement. One lays down the technical adjustments to agreements needed to take account of the Community's enlargement and provides for the gradual application of the trade section of these agreements by

Spain and Portugal. The other type of protocol offers additional concessions for agricultural products, with a view to maintaining traditional trade flows.

2.2.16. On 23 June the Commission sent the Council a proposal for a Regulation for advance implementation by the Community of the technical protocols to the Cooperation Agreements with Algeria, Egypt, Jordan, Lebanon, Tunisia and Turkey.<sup>3</sup> Advance implementation is necessary because, unlike economic protocols, technical protocols have to be ratified by the 12 Member States. The Commission also presented a draft Decision covering ECSC products (→ point 2.1.40).

2.2.17. On 22 June the Council decided to sign protocols on economic and technical adaptation of the Association Agreement with Turkey, and a protocol on the ECSC-Turkey Agreement, following the accession of Spain and Portugal.<sup>4</sup>

### Yugoslavia

2.2.18. The second financial protocol<sup>5</sup> between the Community and Yugoslavia was initialled on 17 June.<sup>6</sup> This protocol, which is valid until 30 June 1991, enables the European Investment Bank to lend Yugoslavia up to 550 million ECU, mainly to finance transport infrastructure projects of mutual interest; the balance can be used to finance other development projects.

2.2.19. On the basis of Title I of the EEC-Yugoslavia Cooperation Agreement<sup>7</sup> and the mandate in Decision No 1/86 of the Cooperation Council,<sup>8</sup> a number of activities designed to strengthen working relations with Yugoslavia took place in

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<sup>1</sup> Bull. EC 11-1986, point 1.3.1 *et seq.*

<sup>2</sup> Bull. EC 5-1986, point 2.2.16.

<sup>3</sup> COM(87) 263 final.

<sup>4</sup> Bull. EC 4-1987, point 2.2.21.

<sup>5</sup> Bull. EC 4-1980, point 2.2.49.

<sup>6</sup> Bull. EC 5-1987, point 2.2.20.

<sup>7</sup> OJ L 41, 14.2.1983; Bull. EC 1-1983, point 2.2.21; Bull. EC 4-1983, point 2.2.27.

<sup>8</sup> Bull. EC 7/8-1986, point 2.2.20.



June: on 10 June a delegation from Yugoslavia's Federal Economic Chamber, led by its president, came to Brussels for a working session with Commission officials; Yugoslav officials were also in Brussels from 22 to 24 June to study energy-related issues, and visited the Commission from 24 to 26 June to explore ways of cooperation in veterinary matters.

## Countries of the Gulf and the Arabian peninsula

### Gulf Cooperation Council

#### *Community-Gulf Cooperation Council ministerial meeting*

2.2.20. The second ministerial meeting between the Community and the Gulf Cooperation Council, requested by the GCC, took place in Brussels on 23 June following exploratory talks.<sup>1</sup> The aim was to give political impetus to work on the projected cooperation agreement. The Community was represented by Mr Leo Tindemans, Belgian Foreign Minister and President of the Council, and Mr Claude Cheysson, Member of the Commission with special responsibility for North-South relations. Mrs Lynda Chalker, UK Minister of State for Foreign and Commonwealth Affairs, and Mr K.E. Tygesen, Denmark's State Secretary for Foreign Affairs, were also present. The Gulf Cooperation Council was represented by its President, Shaikh Rashid Abdullah al Nu'aïmi, Minister of State for Foreign Affairs of the United Arab Emirates, Prince Saud al-Faisal bin Abdul Aziz, Minister for Foreign Affairs of Saudi Arabia, Mr Yusuf bin Alawi bin Abdullah, Minister of State for Foreign Affairs of Oman, and Mr Abdullah Yacoub Bishara, Secretary-General of the Gulf Cooperation Council.

In the joint communiqué issued at the end of the meeting the two sides referred to their first meeting<sup>2</sup> and reaffirmed the broad convergence of their views on almost all the proposed areas of cooperation (energy,

investment, industrial cooperation, technology and training) and their willingness to conclude a mutually beneficial agreement to foster the broadest possible economic and commercial cooperation between the two regions.

The two sides expressed a common desire to improve trade to the mutual benefit of both regions. In this connection, the Gulf Cooperation Council renewed its request for the type of agreement that the Community has concluded with certain Mediterranean countries. The Community took note of this request.

Lastly, the two sides agreed to recommend their respective authorities to take the necessary steps to open official negotiations on a cooperation agreement as soon as possible, by autumn at the latest.

Outside the meeting the Ministers from both sides exchanged views on political matters of common interest.

## Asia<sup>3</sup>

### Association of South-East Asian Nations

2.2.21. The annual conference of Foreign Ministers of the six members of Asean and their main partners (United States, Japan, the Community, Australia, Canada and New Zealand) was held in Singapore from 18 to 20 June.<sup>4</sup> The Community was represented by Mr Leo Tindemans, President of the Council, and Mr Claude Cheysson.

Discussions mainly focused on the state of the world economy. As at the recent OECD talks<sup>5</sup> and the Venice Western Economic Summit (→ point 1.2.1 *et seq.* and 3.7.1. *et seq.*), the Ministers discussed policies to avoid a major recession and stressed the

<sup>1</sup> Bull. EC 12-1985, point 2.3.31, Bull. EC 3-1986, point 2.2.19; Bull. EC 4-1986, point 2.2.24.

<sup>2</sup> Bull. EC 10-1985, point 2.3.21.

<sup>3</sup> For financial and technical cooperation with Asian countries, see point 2.2.51.

<sup>4</sup> Bull. EC 6-1986, point 2.2.27.

<sup>5</sup> Bull. EC 5-1987, point 2.2.42.

importance of the Uruguay Round<sup>1</sup> in the fight against protectionism. Again, it was generally felt that Unctad VII (→ point 2.2.32) would be an appropriate forum for a wide-ranging international debate on the problems of the world economy.

The international political situation was also discussed. Points raised by Ministers included the Vietnamese occupation of Kampuchea and the Soviet occupation of Afghanistan, the development of East-West relations and the growing Soviet influence in the South Pacific.

Mr Cheysson reviewed bilateral economic relations between the Community and Asean, in particular the progress made since the Bangkok<sup>2</sup> and Jakarta<sup>3</sup> ministerial meetings. He expressed the hope that the joint investment committees recently set up in each of the Asean<sup>4</sup> countries would contribute to an increase in European investments in the region.

## India

2.2.22. The Indian Minister for Industry, Mr Vengala Rao, visited the Commission on 4 June. In the course of his visit the Minister reviewed with Mr Narjes and Mr Cheysson the various measures which were being taken to implement the conclusions of the EEC-India Industrial Cooperation Working Party which met in New Delhi on 25 and 26 March.<sup>5</sup> A series of concrete proposals to promote cooperation in areas such as industrial standards, computers and telecommunications, energy, science and technology were agreed upon. Both sides took the opportunity to reaffirm the importance they attach to industrial cooperation.

## Latin America<sup>6</sup>

### EEC-Latin America dialogue

2.2.23. On 22 June the Council and the Representatives of the Governments of the Member States adopted conclusions (→ point 3.5.1) laying down guidelines for

the Community's policy towards Latin America.<sup>7</sup>

These conclusions, adopted in response to a request made by the European Council at its meeting in The Hague in June 1986,<sup>8</sup> call for a strengthening of ties between the Community and Latin America and for political and economic coordination and consultation. They provide encouragement for a continuation of existing policy on official development assistance, support for regional integration, trade promotion, scientific and technical cooperation and, in particular, industrial cooperation.

A declaration on the situation in Central America, giving Community support to the Arias peace plan,<sup>9</sup> was also adopted.

### Central America

2.2.24. The first meeting of the joint committee set up by the EEC-Central America<sup>10</sup> Agreement of 12 November 1985,<sup>11</sup> which entered into force on 1 March this year, was held in Brussels on 17 and 18 June. The meeting was of particular importance because it resulted in decisions being taken to boost Central America's external trade, lay down priorities for future development aid projects, cooperate in promoting human resources, promote Central American exports, initiate scientific cooperation (in this connection, the first study awards have been granted to Central American researchers) and confirm the Community's commitment to regional projects.

The Community expressed its willingness to consider any operation which would reviv-

<sup>1</sup> Bull. EC 9-1986, point 1.4.1 *et seq.*

<sup>2</sup> Bull. EC 10-1985, point 2.3.24.

<sup>3</sup> Bull. EC 10-1986, point 2.2.23.

<sup>4</sup> Bull. EC 3-1987, point 2.2.19.

<sup>5</sup> Bull. EC 3-1987, point 2.2.21.

<sup>6</sup> For financial and technical cooperation with Latin American countries, see point 2.2.51.

<sup>7</sup> Bull. EC 11-1986, point 1.4.1.

<sup>8</sup> Bull. EC 6-1986, point 1.1.17.

<sup>9</sup> Bull. EC 5-1987, point 2.2.23.

<sup>10</sup> Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

<sup>11</sup> Bull. EC 11-1985, point 1.2.1 *et seq.*

talize the Central American common market and strengthen production in that area. One possibility would be to arrange systematic meetings of industrialists and potential investors.

## State-trading countries

### China

2.2.25. On 11 June Mr Willy De Clercq had talks with Mr Li Lanqing, Chinese Deputy Minister for International Economic Relations and Foreign Trade, who had come to Brussels for consultations on China's membership of GATT. In July 1986 China asked to resume its status as a contracting party to the General Agreement, and it submitted a memorandum in support of its claim in Geneva last February.

The discussions gave Mr Li Lanqing an opportunity to explain his government's position prior to the negotiations on the terms of China's GATT membership. China claims developing country status but has expressed willingness to enter into negotiations on its customs tariff and other aspects of its import arrangements. For its own part it regards entry into GATT as a return rather than an accession to the General Agreement.

The Commission said that the Community strongly favoured Chinese membership of GATT, and believed the negotiations would provide an opportunity to get a better idea of the Chinese economic and trade system and its special characteristics, including recent developments and reforms. A protocol laying down the rights and obligations of the new contracting party could then be drawn up.

2.2.26. On 30 June Mr De Clercq presented diplomas in Brussels to the first group of 34 Chinese students who had completed their training at the EEC-China Business Management Centre in Peking. This first intake, which has had two and a half years' basic training plus a six-month placement with a European company, is

being followed by a second intake of 70 students, whose training began in March.

The Management Centre represents one facet of a training programme initiated in 1984 as part of the cooperation between the Community and China.<sup>1</sup> It is the largest project yet financed in China by the Community, which is contributing 3.5 million ECU for the period 1984-88. During his visit to China in March this year<sup>2</sup> Mr De Clercq confirmed that the Commission was prepared to extend its financing of the programme beyond 1988. Mr Zhang Yanning, Vice-President of China's Economic State Commission, visited the Commission on 29 and 30 June for the presentation of diplomas and discussed the future of the Centre with Commission officials.

2.2.27. Mr Nicolas Mosar paid an official visit to China from 5 to 15 June, providing an opportunity to assess the extensive cooperation between the Community and China in the energy sector (→ point 2.1.234).

2.2.28. On 18 June Parliament adopted a resolution on relations between the Community and China (→ point 2.4.19).<sup>3</sup>

### Hungary

2.2.29. Negotiations on a trade and economic cooperation agreement with Hungary<sup>4</sup> opened in Brussels on 4 June. Mr De Clercq received Mr Antalpetér, Director-General in the Hungarian Trade Ministry and head of the Hungarian delegation for these negotiations.

## Development

2.2.30. The 13th Western Economic Summit, which took place in Venice from 8 to 10 June, adopted a major economic declar-

<sup>1</sup> Bull. EC 7/8-1984, point 2.2.30; Bull. EC 9-1984, point 2.2.6.

<sup>2</sup> Bull. EC 3-1987, point 2.2.24.

<sup>3</sup> OJ C 190, 20.7.1987.

<sup>4</sup> Bull. EC 4-1987, point 2.2.28.

ation devoted largely to the problems of the developing countries, particularly those with the largest debt (→ points 1.2.6 and 3.7.21 to 3.7.28).

As part of the preparations for this Summit, the Commission had presented a memorandum including an analysis of the specific situation of poor and heavily indebted sub-Saharan African countries and proposing guidelines for the implementation of special measures to assist those countries.

On the basis of this initiative, the Community and its Member States announced at the Summit that they were ready to participate with their OECD partners in examining the various proposals put forward, with the aim of reaching conclusions before the end of the year.

## North-South relations

### *Cooperation in international forums*

#### **Abuja Conference on economic recovery and accelerated development in Africa**

2.2.31. Convened at the initiative of the UN Economic Commission for Africa in Nigeria's new federal capital, the Abuja Conference was attended from 15 to 19 June by 200 participants from a variety of backgrounds. Some 20 African countries were represented, as well as regional organizations, multilateral financing institutions and bilateral donors; a Commission delegation was also present.

The Abuja Conference, which followed one year after the UN General Assembly's special session on Africa,<sup>1</sup> took stock of the current economic situation in Africa, the recovery efforts undertaken by the African countries themselves and the support received from the international community. It endorsed the general guidelines adopted by the special session, in particular the key role of the African countries in the search for solutions to their own predicament and the implementation of structural reforms. The Conference also drew attention to the

combined effect of the increasingly heavy debt-service burden and the fall in commodity prices. In his address, the Commission representative explained how Lomé III<sup>2</sup> was particularly well suited to Africa's current critical needs and stated that the Commission had demonstrated its readiness to seek for a realistic means of tackling the debt problem.

The Conference ended on 19 June with the adoption of the 'Abuja statement'. This document, which is to be sent to the 23rd summit meeting of the Organization of African Unity and to the 42nd session of the UN General Assembly, summarized the Abuja discussions and mentioned a number of controversial proposals made, such as debt repayments in local currency. It is not binding, however, on the governments and institutions represented, several of which — including the Commission — expressed reservations concerning such proposals.

#### **United Nations Conference on Trade and Development**

2.2.32. On 22 June the Council adopted, on the basis of a communication from the Commission,<sup>3</sup> the Community position for the seventh session of the UN Conference on Trade and Development, which is to take place in Geneva from 8 to 31 July. This position, based on a comprehensive and integrated approach that takes account of the interdependence of the issues involved, covers the four areas which will be the subject of specific discussions at the Conference (trade, commodities, resources for development and the least developed countries) and includes guidelines for the economic policies to be pursued in the industrialized and in the developing countries with a view to revitalizing growth and development on a world level.

Mr Claude Cheysson, Member of the Commission with special responsibility for

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<sup>1</sup> Bull. EC 5-1986, point 2.2.40.

<sup>2</sup> Bull. EC 12-1984, point 1.5.1 *et seq.*

<sup>3</sup> Bull. EC 2-1987, point 2.2.23.

North-South relations, said he considered that Unctad VII would be taking place at a particularly difficult time for the world economy since growth was slowing down and no longer had the capacity to push back the wave of unemployment in the industrialized countries, nor to counter the decline in living standards that had occurred in several parts of the Third World since 1980; he considered that Unctad must accordingly provide an opportunity to reach the broadest possible consensus on the means of revitalizing the process of growth and development on a durable and non-inflationary basis. The Community, which was one of the main export markets for the developing countries and their largest donor in terms of official aid provided, and maintained close links with those countries through the many agreements concluded with them, should thus be able to play an active role in ensuring the success of the Conference on the basis of the store of trust built up with the countries concerned.

The success of the session would be measured by the degree of consensus achieved between the industrialized and the developing countries on reactivating world growth and by whatever concrete progress was achieved from the standpoint of the developing countries, particularly the least developed, on the three main topics of the Conference: trade, commodities and resources for development. With regard to the world economic situation, it was considered that a return to stronger, lasting and non-inflationary world growth and the resumption of development in the developing countries would first require progress in the form of more intensive macro-economic cooperation on the part of the industrialized countries, to be achieved through the elimination of structural imbalances and also by improved coordination of monetary and economic policies. The second essential factor was that the developing countries should improve their own internal development policies by adopting sound and stable macroeconomic policies and structural policies which strengthened the role of the market, and by bringing about a fair distribution of incomes.

On the question of trade, the Community confirmed its GSP policy of differentiation in favour of new export products from the developing countries, wider use of the flexibility provisions of the Multifibre Arrangement<sup>1</sup> in respect of those same countries and a speeding-up of the proceedings of the Uruguay Round (→ point 2.2.1) on tropical products in accordance with the undertakings given in Punta del Este.<sup>2</sup>

With regard to commodities, the Community suggested that some of the resources provided for under the Common Fund be used for production diversification measures, that market intelligence centres be set up with a view to improving transparency on commodity markets and that other industrialized countries be called upon to take similar action to the Community by adopting mechanisms analogous to the Stabex system.

Lastly, in the context of resources for development, it was to be hoped that the Conference would reaffirm the objectives adopted by the international community in respect of official development assistance and that international development financing institutions would be given the necessary financial resources (which could mean strengthening the IMF's structural adjustment facility and an increase in the World Bank's capital). Stress was also laid on the need to tackle the question of debt on the basis of the economic conditions prevailing in the debtor countries.

2.2.33. On 19 June Parliament adopted a resolution on Unctad VII (→ point 2.4.19).<sup>3</sup>

### United Nations Food and Agriculture Organization

2.2.34. At its 91st session the FAO Council, meeting in Rome from 15 to 26 June, discussed international trade in agri-

<sup>1</sup> Bull. EC 7/8-1986, point 2.2.1; OJ L 341, 4.12.1986; Bull. EC 11-1986, point 2.2.2.

<sup>2</sup> Bull. EC 9-1986, point 1.4.1 *et seq.*

<sup>3</sup> OJ C 190, 20.7.1987.

cultural products, in particular in the light of the Uruguay Round negotiations.<sup>1</sup>

### World Food Programme

2.2.35. The WFP Committee on Food Aid Policies and Programmes, at its 23rd meeting in Rome from 25 May to 6 June, devoted a large part of its discussions to fixing a level of contributions for the years 1989 and 1990. It decided to adopt once again the amount set for the two previous years (USD 1 400 million). It also examined the potential role of food aid in connection with structural adjustments carried out by the recipient countries.

### World Food Council

2.2.36. The Commission took part in the 13th ministerial session<sup>2</sup> of the WFC, which was held in Peking from 8 to 11 June. At the end of the proceedings the Council adopted the 'Peking declaration' — proposed by the Chinese Government — on malnutrition and international trade, which will be submitted to the UN Economic and Social Council.

Throughout most of the discussions the 'Cairns Group' countries<sup>3</sup> were ranged against the Community, in particular on the matter of international trade in agricultural and food products, and this complicated the adoption of conclusions and recommendations. The session was marked by a great many incidents engineered in opposition to the Community by certain member countries of the group which appeared designed to transform the WFC into a forum for challenging the principles of the common agricultural policy.

During this session the WFC elected new officers to serve for a period of two years. The new chairman is Mr Eduardo Pesqueira Olea, the Mexican Secretary for Agriculture, succeeding Mr Henri Nallet, the former French Minister for Agriculture.

### ACP-EEC Convention

#### Accession Protocol<sup>4</sup>

2.2.37. Following the conclusion of the negotiations for the accession of Spain and

Portugal to Lomé III,<sup>5</sup> the Council adopted the following texts on 25 June:<sup>6</sup>

- (i) Decision on the signing, subject to conclusion, of the Protocol to Lomé III following the accession of Spain and Portugal;
- (ii) Approval of the Decision of the ACP-EEC Council of Ministers on the advance implementation of that Protocol;<sup>7</sup>
- (iii) Regulation on the application in the Community of the above Decision of the ACP-EEC Council of Ministers;
- (iv) Decision amending the Decision of 3 March 1986 establishing arrangements for trade between Spain and Portugal and the overseas countries and territories (OCTs);<sup>8</sup>
- (v) Regulation amending the Regulation of 26 February 1985<sup>9</sup> concerning the arrangements applied to agricultural products and to certain goods resulting from the processing of agricultural products originating in the ACP States or the OCTs.<sup>9</sup>

The advance implementation on 1 July of the Protocol of Accession to Lomé III was approved pending its ratification by all the signatories to Lomé III and its definitive implementation.

### Generalized tariff preferences

#### Scheme proposed for 1988

2.2.38. On 29 June the Commission transmitted to the Council a set of proposals for

<sup>1</sup> Bull. EC 9-1986, point 1.4.1 *et seq.*

<sup>2</sup> Twentieth General Report, point 910.

<sup>3</sup> Set up at the instigation of Australia, chiefly for the purposes of coordination among the main countries exporting agricultural products, this group held its founding meeting from 25 to 27 August 1986, just prior to the Punta del Este meeting. The group has 14 members: Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand and Uruguay.

<sup>4</sup> For ECSC products, see point 2.1.39.

<sup>5</sup> Bull. 5-1987, point 2.2.38.

<sup>6</sup> OJ L 172, 30.6.1987.

<sup>7</sup> Parliament also endorsed the relevant Commission proposals: OJ C 190, 20.7.1987.

<sup>8</sup> OJ L 63, 5.3.1986; Bull. EC 2-1986, point 2.2.26; the Decision of 3 March 1986 established provisional arrangements for trade between Spain and Portugal and the OCTs.

<sup>9</sup> OJ L 61, 1.3.1985; Bull. EC 2-1985, point 2.2.38.

Regulations and Decisions to provide the legal framework for implementation of the Community's GSP scheme for 1988.<sup>1</sup> In its proposals, the Commission endeavoured to pursue the policy outlined in the guidelines which were set out in its communication to the Council on the mid-term review of the arrangements<sup>2</sup> and applied in part in the 1986 and 1987 schemes, notably those concerning greater differentiation in the allocation of benefits where sensitive industrial products are concerned which have given rise this year to the first measures to exclude countries or products in the case of fully competitive suppliers — and the corresponding redistribution of preferences to less competitive suppliers and the liberalization of conditions of access for them.

With a view to the introduction of the Harmonized System, scheduled for 1 January 1988, the lists of products covered by the GSP have been drawn up in accordance with the new Combined Nomenclature. Because of technical problems arising out of the transposition of nomenclature in the industrial, agricultural and fisheries sectors,<sup>3</sup> the Commission has made adjustments only where strong economic reasons or the application of the differentiation criteria adopted by the Community made them necessary.

For industrial products therefore, changes due to economic trends amount to the elimination of five quotas, the introduction of eight new ones and the transfer of two products to the non-sensitive list. Under the heading of differentiation, the Commission proposes that preferential advantages be withdrawn from two countries (South Korea and Hong Kong) for three products in all and that quotas be reduced by 50% for a number of highly competitive beneficiaries in respect of a number of sensitive products (South Korea: certain kinds of cables and upright pianos; Hong Kong: watch cases; Libya: urea; Romania: isopropylamine).

Preferential treatment for agricultural products is to be adjusted in the case of certain products for which a new rate has been adopted in GATT, following enlargement

(avocados, almonds, grapefruit juice, cigars etc.). In the case of the least developed countries, the Commission is once again recommending that pineapple juice be included among the products for which these countries alone are given preferential treatment.

In the case of textiles, the Commission is proposing a drastic revision of the now completely unsuitable structure of the scheme for products covered by the MFA. Preferential amounts are to be calculated on the basis of imports, by category, into the 12 Member States in 1985, at a rate of 0.2% for a group of five countries comprising three 'dominant' countries (Hong Kong, South Korea and Macao) and two State-trading countries (China and Romania). For other beneficiaries the rate is 1%. For specific products of major economic importance to certain exporters, the reference rate rises to around 5% (cotton fabric from India and Pakistan, wool yarn from Peru, wool fabric from Uruguay) and higher still to over 10% for hand-made products (carpets from India and Pakistan). The Commission advocates in addition the use of a differentiation criterion based on beneficiaries' market share: unless its per capita GNP is relatively low and at the same time it accounts for less than 5% of the Community's total imports of MFA products, any preferential country accounting for at least 10% (on average over the three years 1983-85) of imports into the Community of Twelve will be denied preferential treatment for the category of product concerned. In all, six countries (Brazil, China, Hong Kong, Macao, Romania and South Korea) are affected by this measure; the total number of product/country combinations is 79.

Except for a number of highly competitive dominant countries, the preferential volume available to beneficiaries will be appreciably increased. In addition, import arrangements have been made more flexible since each country is bound by quotas only in respect

<sup>1</sup> COM(87) 227 final.

<sup>2</sup> Bull. EC 5-1985, point 2.2.42.

<sup>3</sup> Transposition is already complete for textile products.

of the categories for which a quota is stipulated in the textile agreement it has signed with the Community. In the case of the dominant or State-trading countries, however, this provision covers only the least sensitive products; for products in groups I and II quota arrangements are automatic. For all products subject to quotas there is to be a reserve share of 30%. In the case of products not covered by the MFA, the basis for calculating the offer is different, namely 5% of imports from non-Community countries in 1985; this rate is reduced to 1% for eight especially sensitive categories. In addition, five quotas are replaced by ceilings.

Lastly, looking ahead to the completion of the internal market, the Commission is proposing in all sectors the application of 'zero-duty fixed quantities' to replace certain subdivided quotas. In the specific case of textiles, however, this measure covers only non-MFA products.

### Information seminars

2.2.39. Under an annual programme of operations to promote better understanding and improved utilization of the Community's GSP scheme, a team of experts from the Commission visited Venezuela for information seminars on the GSP in Caracas (18 and 19 June) and Puerto La Cruz (22 June). The seminars, which attracted some 150 participants, mainly from the private sector, provided a detailed explanation not only of the basic principles but also of the procedures for implementing the various regulations, with particular reference to the rules of origin.

## Commodities and world agreements

### Coffee

2.2.40. At the invitation of the Indonesian Government, the Executive Board of the International Coffee Organization met in Denpasar, Bali, from 1 to 5 June to conduct

a review of the market situation and verify stocks.<sup>1</sup>

All the representatives of producer countries stressed the gravity of the market situation following the fall in prices. They expressed the resolve — apart from the Brazilian delegation, which made no comment on the matter — to reach an agreement in order to be able to re-establish quotas for the forthcoming coffee year, which will commence in October. However, they naturally did not reveal at this stage the extent of the concessions they would be prepared to make. With regard to the verification of stocks, the Executive Board devoted several sessions to examining the validity of the system and to certifying the figures verified with a number of exporters (Zaire, Honduras, El Salvador, Cameroon and Guatemala). The problem of determining stocks is important, because of the future negotiations on quotas which will have to take account not only of total production but, more specifically, of exportable production. Some agreement was reached eventually on reintroducing quotas, although the terms remain to be negotiated among producers on the basis of the position of the market leader, Brazil.

2.2.41. On 17 June the Commission sent to the Council a proposal<sup>2</sup> for a Regulation on the application of the system of certificates of origin provided for under the International Coffee Agreement 1983<sup>3</sup> when quotas are in effect.

This proposal is intended to ensure the implementation, at Community level, of the amendment adopted by the ICO Executive Board, at its meeting in November 1986, to the Council Regulation of 22 December 1983 on the application of this system under the 1983 Agreement.<sup>4</sup> It also makes possible the speedy introduction of the clarification rules relating to the export quota

<sup>1</sup> Previous meeting: Bull. EC 5-1986, point 2.2.42.

<sup>2</sup> COM(87) 259 final.

<sup>3</sup> Bull. EC 6-1983, point 2.2.58; Bull. EC 9-1983, point 2.2.33.

<sup>4</sup> OJ L 379, 31.12.1983.



system — suspended since February 1986<sup>1</sup> — where the short-term reintroduction of the system is envisaged (→ point 2.2.40).

## Cocoa

2.2.42. A meeting was held in London from 9 to 12 June of the Working Group of the Executive Committee of the International Cocoa Organization with a view to drawing up rules pertaining to the withholding scheme provided for in general terms in the 1986 Agreement as a supplementary price support measure.<sup>2</sup> The delegations present were not able to complete their discussions and therefore agreed to leave it to a restricted working party (comprising consumers and producers and coordinated by the Executive Director) to look into this question.

During the same week, the Finance Committee and the Executive Committee met to study the draft budget for the next financial year and to assess the operations carried out by the buffer stock manager.<sup>3</sup> The cocoa market situation was also intensively discussed.

## Sugar

2.2.43. The Council adopted in mid-June a Decision authorizing the Commission to participate in the negotiation of a new International Sugar Agreement.<sup>4</sup>

2.2.44. On 30 June the Commission sent to the Council a communication<sup>5</sup> and a

proposal for a Decision on the guaranteed prices applicable during the 1987-88 delivery period for cane sugar originating in the ACP States (Barbados, Belize, Congo, Côte d'Ivoire, Fiji, Guyana, Jamaica, Kenya, Madagascar, Malawi, Mauritius, St Christopher and Nevis, Suriname, Swaziland, Tanzania, Trinidad and Tobago, Uganda and Zimbabwe) listed in Protocol 7 to the third ACP-EEC Convention.

## Campaign against hunger in the world

### Food aid

#### EEC-UNRWA Convention

2.2.45. On 4 June the sixth EEC-UNRWA Convention (1987-89)<sup>6</sup> was signed in Brussels by representatives of the Commission, the Council and the United Nations Relief and Works Agency for Palestine Refugees.

2.2.46. On 5 and 30 June the Commission decided, with the endorsement of the Food Aid Committee, on the following food aid operations under the 1987 budget:

<sup>1</sup> Bull. EC 1-1986, point 2.2.29.

<sup>2</sup> Bull. EC 7/8-1986, point 2.2.32.

<sup>3</sup> Bull. EC 4-1987, point 2.2.29.

<sup>4</sup> OJ L 22, 25.1.1985; Bull. EC 12-1984, point 2.2.39.

<sup>5</sup> COM(87) 296 final.

<sup>6</sup> Bull. EC 5-1987, point 2.2.32.

Table 10 — *Food aid operations*

	Cereals	Non-vitamin-enriched milk-powder	Vitamin-enriched milk-powder	Butter-oil	Sugar	Vegetable oil	Other
Zaire	30 000	—	—	—	—	100	—
Jamaica	—	—	500	100	—	—	—
Madagascar	25 000	500	—	180	—	—	—

Development

<i>tonnes</i>							
	Cereals	Non-vitamin-enriched milk-powder	Vitamin-enriched milk-powder	Butter-oil	Sugar	Vegetable oil	Other
Nicaragua	5 000	2 000	—	600	—	1 500	3 500 B
Sri Lanka	55 000	—	—	—	—	—	—
Uganda	—	500	—	166	2 000	—	—
Angola	25 600	680	—	200	—	350	66 DF
Peru	3 000	—	—	—	—	—	—
	3 500	—	1 600	—	—	600	—
Bolivia	12 720	—	1 000	200	—	650	1 000 L
NGOs	40 000	—	1 000	300	1 000	1 200	800 B 240 DF
Ethiopia	25 000	—	1 000	—	—	800	—
Total	224 820	3 680	5 100	1 846	3 000	5 200	306 F 4 300 B 1 000 L

B = Beans  
DF = Dried fish  
L = Legumes.

*Emergency aid*

**Sri Lanka**

2.2.47. As a result of the conflict in Sri Lanka, the Commission approved on 9 June an emergency aid allocation of 100 000 ECU. This aid, to be implemented by the French NGO 'Médecins sans frontières', will cover the cost of sending a medical team, medicines and medical equipment.

**Self-sufficiency aid for refugee groups**

2.2.48. On 18 June the Commission took the following financing decisions under Article 936 of the Community budget:

*Guatemala:* 290 000 ECU for a health and sewerage programme in the El Mesquital

shanty town in Guatemala City, cofinanced by the French NGO 'Médecins sans frontières'; 300 000 ECU for a health and education programme for displaced orphan children in the Guiché region, cofinanced by the French NGO 'Enfants réfugiés du monde';

*Mexico:* 280 000 ECU for agricultural and skilled trade microprojects for Guatemalan refugees in Chiapas, cofinanced by the Spanish NGO 'Manos Unidas' and the Mexican NGO Codaif;

*Sri Lanka:* 500 000 ECU for a programme of medical assistance for the Tamil and Sinhalese communities in the Trincomalee district, cofinanced by the French NGO 'Médecins sans frontières'.

## Programme of positive measures concerning South Africa

## Financial and technical cooperation

### Financing decisions

2.2.49. On 1 June the Commission approved a fifth financial contribution of 600 000 ECU for four projects to help victims of apartheid. This decision follows those taken since July 1986 involving 9.5 million ECU for 56 projects.<sup>1</sup>

These financing decisions are a result also of the ministerial political cooperation meeting held in Luxembourg on 10 September 1985.<sup>2</sup>

### ACP States

2.2.50. In June the Commission decided to allocate resources from the fifth and sixth EDFs totalling 37 495 000 ECU to finance projects, programmes and emergency aid operations which it administers.

<sup>1</sup> Bull. EC 7/8-1986, point 2.2.43; Bull. EC 11-1986, point 2.2.40; Bull. EC 1-1987, point 2.2.32; Bull. EC 4-1987, point 2.2.36.

<sup>2</sup> Bull. EC 9-1985, point 2.5.1.

Table 11 — *Financing of operations under the fifth and sixth EDFs*

<i>million ECU</i>			
Sector/country	Project	Grants	Loans
<i>Rural production</i>			
Zimbabwe	Development of cooperatives	1.385	5.625
Zambia	Agriculture	12.000	
<i>Industrialization</i>			
French Polynesia	Mainly energy projects	0.400	1.400
<i>Social development</i>			
Tanzania	Health infrastructure	2.600	
Chad	Health	12.000	
<i>Emergency aid</i>			
Angola	Help for the increased number of displaced persons	0.550	
Sudan	Khartoum-Juba airlift	0.650	
Malawi	Alleviation of the shortage of medical personnel needed to treat the increased number of refugees	0.650	
Somalia	Effects of the drought in the north and centre of the country	0.235	
Total		34.470	7.025

*Latin American  
and Asian developing countries*

**Financing decisions**

2.2.51. The Commission decided on 5 June, with the prior agreement of the Committee on Aid to Non-associated Developing Countries, to finance the following operations from the appropriation in Article 930 of the Community budget:

*Member States of the Association of South-East Asian Nations:* regional programme to evaluate fishery resources and training needs (total cost 1.015 million ECU, Community contribution 652 000 ECU; autonomous project);

*Thailand:* farming development as part of the Huai Mong irrigation project (total cost 13.3 million ECU, Community contribution 5.6 million ECU; parallel cofinancing with Belgium);

*Peru:* reconstruction and flood prevention programme, Lake Titicaca (total cost 6 million ECU, Community contribution 5 million ECU; autonomous project);

*Ecuador:* development of irrigated agriculture, Chambo (total cost 23 million ECU, Community contribution 9 million ECU; parallel cofinancing with Italy);

*Honduras:* water supply and basic sanitation in rural areas (total cost 22.2 million ECU, Community contribution 14.5 million ECU; autonomous project);

*El Salvador, Guatemala, Honduras and Nicaragua:* regional programme for the eradication of rabies in Central America (total cost 5.83 million ECU, Community contribution 2.9 million ECU; parallel cofinancing with the Pan-American Health Organization and the French NGO 'Mission bioforce développement');

*5 research institutes sponsored by the Consultative Group on International Agricultural Research (CGIAR):* research assistance for CIAT (International Centre for Tropical Agriculture, Cali, Colombia), CIP (International Potato Centre, Lima, Peru),

Icrisat (International Crops Research Institute for the Semi-Arid Tropics, Hyderabad, India), IRRI (International Rice Research Institute, Manila, Philippines) and Isnar (International Service for National Agricultural Research, The Hague, Netherlands) (total cost 78.472 million ECU, Community contribution 6.9 million ECU; cofinancing within CGIAR);

*Latin American and Asian developing countries:* studies and technical assistance for bodies eligible to receive financial and technical assistance from the Community (total cost 5.5 million ECU, Community contribution 5.5 million ECU, autonomous project).

**Cooperation via non-governmental organizations**

2.2.52. On 30 June the Commission sent to the Council a report on cooperation with European non-governmental organizations (NGOs) active in the development field, with special reference to the cofinancing of projects (1986 budget).<sup>1</sup>

2.2.53. In the period from 1 January to 30 June the Commission committed 35.4 million ECU for the cofinancing in developing countries of 246 projects presented by 103 NGOs.

The Commission also contributed 2 101 892 ECU to 32 publicity campaigns in the Community.

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**Visits**

2.2.54. The Prime Minister of Zambia, Mr K.S.K. Musokotwane, visited the Commission on 9 June in order to inform Mr Natali of the Zambian Government's latest economic policy measures.

<sup>1</sup> COM(87) 261 final.

## International organizations and conferences

### United Nations

#### Economic and Social Council

2.2.55. This year's second regular session of the Economic and Social Council opened in Geneva on 23 June.<sup>1</sup> Addressing the Council, Mr Pérez de Cuellar, Secretary-General of the United Nations, called for greater coordination between the work of Ecosoc and the General Assembly. In particular, he drew attention to the need for better organization of the Council's work, to balance the need for continuous monitoring of all activities in the economic and social fields with in-depth consideration of priority substantive issues. In this connection, the Secretary-General emphasized how important it was for Ecosoc to enhance its role as a central forum capable of facilitating a coherent interdisciplinary approach to problems.

In the general debate the main issues continued to be the debt burden of many developing countries and its consequences for their growth and development. The Council and Commission representatives, speaking on behalf of the Community and its Member States, both recognized the seriousness of these problems and urged that the forthcoming seventh session of the United Nations Conference on Trade and Development (→ point 2.2.32) make determined efforts to find ways of solving them.

The Commission representative also drew attention to the importance of the multilateral trade negotiations now under way; further liberalization and expansion of world trade would promote increased and more stable growth that would be of particular benefit to developing countries.

#### Council of Europe

2.2.56. On 16 June, at the Palais de l'Europe in Strasbourg, Mr Marcelino Oreja, Secretary-General of the Council of Europe,

and Mr Jacques Delors, President of the Commission of the European Communities, exchanged letters intended to foster closer cooperation between the two organizations. The purpose of the arrangements agreed in this exchange of letters, which supersedes that of 18 August 1959, is to promote the participation of the European Community, represented by the Commission, in the Council of Europe's work, including its conventions and agreements. Both signatories expressed their conviction that European solidarity would be strengthened by the consolidation and intensification of cooperation between the two organizations.

#### Meeting of the ministers' deputies with the Secretary-General of the Commission

2.2.57. The annual discussion between the Commission's Secretary-General and the Council of Europe ministers' deputies took place in Strasbourg on 23 June, chaired by Prince Nicolas of Liechtenstein.<sup>2</sup> It included a review of the Community's recent activities and the strengthening of cooperation between the Community and the Council of Europe.

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2.2.58. The World Food Council held its 13th ministerial session in Peking from 8 to 11 June (→ point 2.2.36).

2.2.59. The 23rd session of the Committee on Food Aid Policies and Programmes of the World Food Programme took place in Rome from 25 May to 6 June (→ point 2.2.35).

2.2.60. The conference on Africa's economic recovery and development, organized by the UN Economic Commission for Africa, took place in Abuja, Nigeria, from 15 to 19 June (→ point 2.2.31).

2.2.61. The 91st session of the Council of the United Nations Food and Agriculture Organization was held in Rome from 15 to 26 June (→ point 2.2.34).

<sup>1</sup> First session: Bull. EC 5-1987, point 2.2.41.

<sup>2</sup> Last meeting: Bull. EC 9-1986, point 2.2.46.

# 3. Financing Community activities

## Reform of the Community budget

2.3.1. On 29 and 30 June the European Council considered the budget reforms proposed by the Commission in its communication 'The Single Act: A new frontier for Europe'<sup>1</sup> and developed general guidelines on budgetary discipline and new resources (→ point 1.1.4).

2.3.2. Earlier, on 18 June, Parliament had passed a resolution inviting the Council to adopt a clear position on the problem of funding the Community so that it can continue to operate and meet the objectives it has been set.<sup>2</sup>

## Budgets

### General budget

#### Preliminary draft supplementary and amending budget No 1/1987

2.3.3. On 2 June the Council discussed the problems connected with the 1987 budget and in particular preliminary draft supplementary and amending budget No 1/1987.<sup>3</sup>

It considered the three measures proposed by the Commission: utilization of the remaining margin under the maximum VAT rate of 1.4%, the amendment of the Regulation of 21 April 1970<sup>4</sup> on the financing arrangements for the common agricultural policy under the EAGGF guarantee and the shortfall in revenue from traditional own resources in 1987.<sup>5</sup>

2.3.4. At the end of the meeting on 29 and 30 June the European Council adopted conclusions on this preliminary draft budget and asked the Council to prepare a draft on this basis as a matter of urgency (→ point 1.1.7).

## Own resources

2.3.5. Following its adoption on 8 December of a common position<sup>6</sup> on the proposed amendments<sup>7</sup> to the Regulation of 19 December 1977<sup>8</sup> implementing the Decision of 21 April 1970 on the replacement of financial resources from Member States by the Communities' own resources,<sup>4</sup> the Council held a conciliation meeting on 15 June with a delegation from Parliament led by Mr Enrique Barón Crespo, who considered that the points of view had been brought close enough together for Parliament to deliver a fresh opinion.<sup>9</sup>

## Budgetary discipline

2.3.6. On 15 June the Council adopted the reference framework for the 1988 budget on which it had reached a common position on 11 May.<sup>10</sup>

In accordance with its conclusions of 4 December 1984 on budgetary discipline,<sup>11</sup> the Council had invited Parliament to a meeting before it fixed the reference framework. Parliament considered that such a meeting would serve no useful purpose until agreement had been reached on the general objectives of budgetary discipline.

## Discharge for budget implementation

2.3.7. In accordance with Article 85 of the Financial Regulation, the Commission has

<sup>1</sup> Supplement 1/87-Bull. EC; Bull. EC 2-1987, points 1.1.12 to 1.1.21.

<sup>2</sup> OJ C 190, 20.7.1987.

<sup>3</sup> Bull. EC 5-1987, points 1.1.2 to 1.1.4 and point 2.3.1.

<sup>4</sup> OJ L 94, 28.4.1970.

<sup>5</sup> OJ C 137, 22.5.1987; Bull. EC 5-1987, point 2.1.177.

<sup>6</sup> Bull. EC 12-1986, point 2.3.2.

<sup>7</sup> OJ C 231, 4.9.1982; Bull. EC 7/8-1982, point 2.3.5; OJ C 146, 4.6.1983; Bull. EC 5-1983, point 2.3.20.

<sup>8</sup> OJ L 336, 27.12.1977.

<sup>9</sup> OJ C 13, 17.1.1983; Bull. EC 12-1982, point 2.3.5.

<sup>10</sup> Bull. EC 5-1987, point 2.3.3.

<sup>11</sup> Bull. EC 12-1984, point 1.3.1.

presented, as an annex to the revenue and expenditure account and balance sheet for 1986, the report on measures taken in response to comments made in the resolution accompanying the decision granting a discharge for the implementation of the 1984 budget.<sup>1</sup>

## ECSC operating budget

2.3.8. On 26 June the Commission adopted the ECSC financial statements at 31 December 1986 and the outturn of the ECSC operating budget for 1986.

## Financial operations

### ECSC

#### Loans raised

2.3.9. In June the Commission made a number of private placings in dollars, sterling and marks for the equivalent of 48.52 million ECU.

#### Loans paid out

##### *Workers' housing*

2.3.10. Acting under Articles 54 and 56 of the ECSC Treaty, during June the Commission paid out housing loans totalling 580 000 ECU. They were granted for coalworkers and steelworkers in the United Kingdom, Italy, Germany and France.

### Euratom

#### Loans raised

2.3.11. In June the Commission made a number of private placings in marks and yen for the equivalent of 54.15 million ECU.

### EEC-NCI

#### Loans raised

2.3.12. In June the Commission made a FF 500 million 10-year public issue with an interest rate of  $8\frac{3}{4}\%$  and an issue price of 96.625%.

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<sup>1</sup> OJ L 150, 4.6.1986.

## 4. Political and institutional matters

### European political cooperation

2.4.1. On 3 June the Presidency issued the following statement on the military action in Mozambique on 28 May:

'The Twelve strongly condemn the military action undertaken in Maputo on 28 May 1987, which was a serious violation of Mozambique's sovereignty.

The Twelve deeply regret the consequent loss of human life.

They are convinced that such violence aggravates the situation in southern Africa rather than solving the region's problems, about which the Twelve have made clear their views on numerous occasions.'

2.4.2. On 5 June the Presidency issued the following statement on the tension between India and Sri Lanka:

'The 12 Member States of the European Community have followed with deep concern the latest developments in relations between India and Sri Lanka. They believe that, whatever the motives for the actions undertaken on either side, the parties must avoid any increase of tension in the region.

They express their strong wish for improvement in Indo-Sri Lankan relations, without which the central problem, i.e. the ethnic conflict within Sri Lanka, will not be resolved.

The Twelve recall their common statements of 25 February 1986,<sup>1</sup> 14 July 1986<sup>2</sup> and 27 April 1987,<sup>3</sup> and regret that it has proved impossible up to now to find a peaceful solution to this internal conflict. They reiterate their condemnation of terrorist actions with numerous civilian casualties. They are deeply shocked by the recent brutal massacre of Buddhist monks.

The Twelve note the responsibility of the Government of Sri Lanka for maintaining law and order, and share its conviction that a negotiated settlement is the only way to reach a lasting solution acceptable to all parties concerned.'

2.4.3. While in Luxembourg for a Council meeting on 22 May, the Foreign Ministers issued the following statement on the situation in Central America:

'The Twelve have noted with great interest the peace initiative for Central America which the President of Costa Rica has submitted for consider-

ation by the other Central American Heads of State, in the framework of the Contadora process.

The reaffirm their support for the efforts to reactivate the negotiations to establish conditions which will permit the signing of a lasting peace agreement in the region.

They hope that the temporary difficulties encountered in the preparations for a Central American summit can be quickly overcome.'

2.4.4. At its June part-session Parliament adopted a number of resolutions on political cooperation and on the protection of human rights (→ point 2.4.20).<sup>4</sup>

### European policy and relations between the institutions

#### European policy

##### Entry into force of the Single European Act

2.4.5. The Irish Constitution having been amended so that Ireland could ratify the Single European Act<sup>5</sup> and deposit the instruments of ratification,<sup>6</sup> all the requirements for the Act's entry into force were satisfied and the Act duly came into force on 1 July.<sup>7</sup>

##### Implementing the Single Act

2.4.6. As arranged at the Council meeting on general affairs in May,<sup>8</sup> a joint Council meeting of the Ministers for Finance and Ministers for Agriculture took place on 15 June and held a wide-ranging exchange of views on progress in the farm price review.

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<sup>1</sup> Bull. EC 2-1986, point 2.4.8.

<sup>2</sup> Bull. EC 7/8-1986, point 2.4.2.

<sup>3</sup> Bull. EC 4-1987, point 2.4.3.

<sup>4</sup> OJ C 190, 20.7.1987.

<sup>5</sup> Supplement 2/86 — Bull. EC.

<sup>6</sup> Bull. EC 5-1987, point 2.4.4.

<sup>7</sup> OJ L 169, 29.6.1987.

<sup>8</sup> Bull. EC 5-1987, point 2.4.6.



At the end of the meeting Mr Delors said that the discussion had been frank and useful, enabling Ministers' decisions to be prepared on the matters outstanding: financing of the 1987 budget, monetary compensatory amounts, stabilization of the Community oils and fats market.

2.4.7. The Council's general affairs meeting on 22 June again considered the Commission's communication 'The Single Act: A new frontier for Europe'.<sup>1</sup> Ministers met again in 'conclave' on 27 and 28 June to prepare the European Council's deliberations on the Commission paper.

2.4.8. On 18 June Parliament adopted a resolution reminding the Council of its responsibilities and asking it to take a clear position on the problem of the Community's financing.<sup>2</sup>

2.4.9. The European Council, meeting in Brussels on 29 and 30 June, set out general guidelines for implementing the Commission's communication, to be finalized at the Copenhagen European Council at the end of the year: the common economic area, the structural Funds in connection with cohesion, budgetary discipline and new resources.

Having reached agreement on these medium-term issues, it also adopted conclusions on the more immediate matters of monetary compensatory amounts, the 1987 budget and research (→ point 1.1.1 *et seq.*).

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2.4.10. On 17 June Parliament adopted a resolution in which it declared that as the Single European Act did not constitute a response to the draft Treaty on European Union adopted by Parliament in February 1984,<sup>3</sup> preparations for the transition to European Union should be put in hand forthwith (→ point 2.4.19)<sup>2</sup>

## Relations between the institutions

### Exercise of implementing powers conferred on the Commission by Council acts

2.4.11. The Council meeting on 22 June reached a major agreement on strengthen-

ing the Commission's implementing powers in respect of Council decisions.<sup>4</sup>

The Commission is required each year to take hundreds of implementing and management measures in fields as varied as agricultural policy, the internal market, commercial policy, research, and so on.

### *Stultifying practice*

2.4.12. Unfortunately, over the years the Council has become increasingly reluctant to give the Commission the powers it needs to implement Council legislation. Decisions to confer implementing powers have been taken more and more grudgingly, after lengthy discussions, and tried and tested formulas have frequently been abandoned in favour of new formulas which are complex, varied, and more and more restrictive. A whole grey area of committees has emerged within which endless procedural wrangles have counted for more than the solution of basic problems. This has led to considerable loss of time and energy and has seriously undermined effective management and the clear demarcation of the responsibilities of each institution.

### *Principles of the Single Act*

2.4.13. The proliferation of committees became totally unacceptable once the decision was taken to revitalize the Community and rally its forces to complete the large internal market by 1992, all of which entails a host of implementing decisions.

For this reason the Single Act established two principles in relation to the Commission's executive and management powers:

(i) the Commission is normally responsible for implementing instruments adopted by the Council;

<sup>1</sup> Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

<sup>2</sup> OJ C 190, 20.7.1987.

<sup>3</sup> Bull. EC 2-1984, point 1.1.1 *et seq.*

<sup>4</sup> OJ C 70, 25.3.1986; Bull. EC 1-1986, point 2.4.6; Bull. EC 11-1986, point 2.4.5.

(ii) if the Council wishes the Commission to work on the basis of a committee procedure, it must specify the procedure to be used in each case in detail beforehand.

With a view to application of the second of these principles, Mr Delors had sent the Council a proposal for a Regulation<sup>1</sup> in March 1986 whereby the Council would henceforth be limited to one of three procedures: advisory committee, management committee or regulatory committee.

### *Clearer and more effective rules*

2.4.14. After a searching debate in Parliament<sup>2</sup> and lengthy and difficult discussions in the Permanent Representatives Committee, the Council reached agreement on 22 June.

From now on the Commission's implementing and management powers in respect of Council decisions will be exercised as follows:

(i) either the Commission will exercise its powers independently;

(ii) or the Commission will exercise its powers by one of the three following procedures:

*advisory committee*: this procedure will be generally adopted in the case of internal market instruments, as requested by the Intergovernmental Conference;

*management committee*: the use of this procedure may be extended beyond the common agricultural policy;

*regulatory committee*;

(iii) or the Commission will exercise its powers by a special emergency procedure in the case of safeguard measures; this will be used, for example, under the common commercial policy.

For the regulatory committee and safeguard procedures, two additional variants were included in the Council decision, on which the Commission, in a statement, expressed very definite reservations.

Even though the Council decision is not entirely in line with what the Commission

and Parliament wanted, it does, as Mr Delors stressed, achieve some reform which, as the Single Act comes into force, will be a key factor in introducing more effective decision-making and will ease the creation of a frontier-free common market by 1992. The Commission's criticisms of the Council decision were recorded in the Council minutes in the following statement:

'1. As far as the regulatory committee is concerned, the Commission deplores the fact that the Council has adopted the *contreslet* procedure which may result in the Commission's being prevented from adopting its proposed implementing measures where the Council fails to reach a decision. The Commission would have preferred the Council to confine itself to the *filet* procedure which allows the Council to adopt or amend the implementing measures proposed by the Commission within a certain time limit, leaving the Commission free to adopt the measures itself in the absence of a Council decision.

2. The Commission would reaffirm its reservations concerning variant (b) of the safeguard procedure, which provides no guarantee that a decision will be taken. It fears that continued recourse to this formula will do nothing to ease the Commission's task in relation to day-to-day management of the common commercial policy.

3. The Commission deplores the Council's failure to fix a deadline, however remote, for bringing the numerous existing committee procedures into line with the principles of the framework decisions. It is essential that these be adapted over a realistic time span, to clarify and simplify current procedures.'

2.4.15. On 17 June Parliament had passed a resolution urgently requesting the Council to accept the Commission's proposal in order to meet one of the Intergovernmental Conference's principal goals—the strengthening of the executive powers of the Commission (→ point 2.4.19)<sup>3</sup>

<sup>1</sup> OJ C 70, 25.3.1986; Bull. EC 1-1986, point 2.4.6; Bull. EC 11-1986, point 2.4.5.

<sup>2</sup> OJ C 297, 24.11.1986; Bull. EC 10-1986, point 2.4.22.

<sup>3</sup> OJ C 190, 20.7.1987.

## Institutions and organs of the Communities

### Parliament <sup>1</sup>

#### *Strasbourg: 15 to 19 June*

2.4.16. The agenda for Parliament's June part-session was a very varied one: a wide spectrum of external and internal issues, of equal consequence to either side of the House, led to some heated argument or minor skirmishes. High spots in the proceedings were the debates on the Venice Western Economic Summit and the Community's economic policy, a new strategy for European Union, the Conference on Disarmament in Europe and European security, relations with China and technology, and in particular European space policy (→ point 2.4.17).

#### **An autonomous space policy**

2.4.17. After Mr Michel Poniatowski (LDR/F) had presented his second report on the resources to be provided and the objectives to be set to enable Europe to meet the modern technological challenge<sup>2</sup> (→ point 2.4.19), Mr Claus Toksvig (ED/DK) set out the guidelines and methods for developing a European space policy as explained in the new version of his report.<sup>3</sup> He particularly asked the Commission to present a plan for coordinating the Community's space activities (telecommunications, remote sensing, etc.) and to create a European postgraduate diploma for space science and technology. Arguing that the European Space Agency (ESA) was the main instrument of European cooperation on space matters, Mr Toksvig stressed the need to support ESA's efforts to give Europe an autonomous space capacity. To illustrate his point he said that experience had shown that international cooperation did not automatically produce transfers of technology on a par with the effort and money invested in a given project. When Europe, for example, had developed the Spacelab (an

orbital laboratory launched aboard an American shuttle) it had not gained in return any technological expertise on shuttles: NASA had indicated that there was no question of Europe acquiring American flight suits for its astronauts. So, after stating that European space policy must have peaceful and scientific objectives, Mr Toksvig urged that the EIB continue its role and pursue its efforts in financing satellites and asked the European governments concerned to grant forthwith the funds needed to complete the European space shuttle Hermes. Mr Toksvig then pressed the Commission to counter the monopolistic provisions contained in the offers made by national postal and telephone authorities for new satellite services, and suggested that the Commission participate as a legal person in ESA, urging it, and the Council, to prepare negotiations with a view to joining the Agency.

During the debate virtually all the speakers supported a bigger and more forcefully coordinated European effort on the space front. For instance, Mr Madron Seligman (ED/UK), after pointing out that the ESA budget amounted to only a fifth of the American space budget, said that the Community should join ESA to ensure that national interests did not dominate or impede Europe's space endeavours. Mrs Bodil Boserup (COM/DK) said that she agreed with the view expressed in the Toksvig report that ESA was working very well, and concluded that there was therefore no call to make new demands concerning Europe's space activity. ESA's crucial role was also emphasized by Mr Gijs de Vries (LDR/NL), who felt that its budget (USD 25 000 million) was still rather modest. He therefore suggested that private venture

<sup>1</sup> The complete texts of the resolutions adopted by Parliament are reproduced in OJ C 190, 20.7.1987, and the report of the proceedings is contained in OJ Annex 2-353. The political groups and nationalities of members speaking in the debates are shown in brackets after their names; the key to the abbreviations can be found in Bull. EC 2-1987, point 2.4.7 (footnote).

<sup>2</sup> OJ C 288, 11.11.1985; Bull. EC 10-1985, point 2.5.8.

<sup>3</sup> OJ C 288, 11.11.1985; Bull. EC 10-1985, point 2.5.17.

capital could be raised for the space industry in order to stiffen resistance to Japanese competition. Mr Dominique Baudis (*PPE/F*) maintained that ESA must be confirmed in its role and that thought should be given to the idea of the Community, as such, becoming a member. He was also convinced that Europe had to have an ambitious space programme to preserve its independence in this field. His only regret was that the Toksvig report said nothing about how its recommended measures were to be financed. Recalling that in 1983 ESA and the European governments had spent USD 11 000 million on space research against USD 18 000 million spent by the Soviet Union and USD 15 000 million by the United States, he expressed the hope that the European governments would manage to agree at least to a minimum programme whose overall cost between now and the year 2000 had been estimated at 30 000 million ECU, twice what was at present being spent each year. Speaking for the Rainbow Group, Mr François Roelants du Vivier (*B*) confined himself exclusively to general considerations concerning the role and place of technology in society.

Mr Narjes, the Commission Vice-President with special responsibility for industrial affairs, information technology, research and science, made an eloquent appeal for European space policy, highlighting all the benefits it could provide for the Community. The utilization of space enabled new products and materials to be developed and spurred technical progress particularly in the use of microelectronics; moreover, by means of satellite monitoring, it had a beneficial effect on agriculture and the environment.

At the end of the debate Parliament adopted the Toksvig report, with some slight amendments, three of which were of special significance: one by Mr Gijs de Vries (*LDR/NL*) calling on the Commission, in conjunction with the European Venture Capital Association, to investigate ways of facilitating access to venture capital for the establishment of satellite-based business services, adopted by 105 votes to 93; one by Mrs

Marie-Noëlle Lienemann (*S/F*) urging ESA, in addition to its current projects such as Hermes and the future European satellite launcher, to pursue more long-term aims such as manned exploration of the solar system; one by the EPP Group, urging the governments in question to make available without delay, if necessary with the help of private venture capital, the funds required for the European space vehicle Hermes, adopted by 101 votes to 91 with 7 abstentions.

2.4.18. Parliament gave opinions on the following proposals:

- (i) a Directive on the approximation of the laws of the Member States relating to roll-over protection structures incorporating two pillars and mounted in front of the driver's seat on narrow-track wheeled agricultural or forestry tractors (→ point 2.1.12.);
- (ii) two amendments to the Directive of 6 February 1970 on the approximation of the laws of the Member States relating to the type-approval of motor vehicles and their trailers<sup>1</sup> (→ point 2.1.12);
- (iii) a Directive on the harmonization of the laws of the Member States relating to simple pressure vessels (→ point 2.1.14);
- (iv) an amendment to certain Directives on the approximation of the laws of the Member States relating to industrial products with respect to the distinctive numbers and letters indicating the Member States and an amendment to the Directive of 26 July 1971<sup>2</sup> on the approximation of the laws of the Member States relating to common provisions for both measuring instruments and methods of metrological control<sup>3</sup> (→ point 2.1.13);
- (v) an amendment to the Directive of 17 May 1977 on the harmonization of the laws of the Member States relating to turnover taxes in respect of the common VAT scheme

<sup>1</sup> OJ L 42, 23.2.1970.

<sup>2</sup> OJ L 202, 6.9.1971.

<sup>3</sup> OJ C 317, 10.12.1986; Bull. EC 12-1986, point 2.1.21.

applicable to small and medium-sized businesses<sup>1</sup> (→ point 2.1.71);

(vi) a Regulation on the tariff and statistical nomenclature and on the Common Customs Tariff<sup>2</sup> (→ point 2.1.63);

(vii) the Commission's 11th annual report on the activities of the ERDF (→ point 2.1.109);

(viii) a Directive on the dumping of waste at sea (→ point 2.1.128);

(ix) a Directive on water quality objectives for chromium (→ point 2.1.127);

(x) an amendment to the Directive of 20 March 1970 on the approximation of the laws of the Member States relating to measures to be taken against air pollution by gases from the engines of motor vehicles<sup>3</sup> and a Directive on the approximation of the laws of the Member States relating to the measures to be taken against the emission of gaseous pollutants from diesel engines for use in vehicles (→ point 2.1.130);

(xi) an amendment to the Directive of 20 March 1985 on the approximation of the laws of the Member States concerning the lead content of petrol<sup>4</sup> (→ point 2.1.129);

(xii) a Regulation on the monitoring of the payment of the amounts granted on export of agricultural products (→ point 2.1.195);

(xiii) a Regulation on special arrangements for imports of maize and sorghum into Spain for 1987 to 1990;<sup>5</sup>

(xiv) a Regulation concerning conclusion of the agreement between the EEC and the Government of the People's Republic of Mozambique on fisheries relations (→ point 2.1.208);

(xv) an amendment to the Regulation of 16 December 1976 on the Community quota for the carriage of goods by road between Member States<sup>6</sup> (→ point 2.1.222.);

(xvi) an amendment to the Regulation of 20 December 1971 on application of Article 85(3) of the Treaty to categories of agree-

ments, decisions and concerted practices<sup>7</sup> (→ point 2.1.228);

(xvii) a Regulation concerning application of the Decision of the ACP-EEC Council of Ministers on the implementation in advance of the Protocol of Accession of the Kingdom of Spain and the Portuguese Republic to the third ACP-EEC Convention, and an amendment to the Regulation of 26 February 1985 on the arrangements applicable to agricultural products and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States or in the overseas countries and territories<sup>8</sup> (→ point 2.2.37).

2.4.19. Resolutions were passed on the following subjects:

*The economic situation in 1987.* Parliament stated its conviction that to deal with the current economic situation the annual average growth rate for the period 1987-90 would have to be at least 3.5 to 4%. It called on the Council, the Commission and the Member States to take the necessary measures for establishing a genuine internal market, devise a cooperative strategy for growth and employment, apply an adequate external trade policy and implement a real monetary policy.

*Europe's response to the modern technological challenge.* Parliament felt the technological challenge confronting Europe had become stronger in the last two years, notably in consequence of the fall in the value of the dollar and Japan's research effort, as evidenced by the human frontier science programme. The House again drew attention to the particularly harmful political, economic and social consequences of this situation and deplored the Community's difficulty in producing competitive

<sup>1</sup> OJ L 145, 13.6.1977.

<sup>2</sup> OJ C 154, 12.6.1987; Bull. EC 5-1987, point 2.1.59.

<sup>3</sup> OJ L 76, 6.4.1970.

<sup>4</sup> OJ L 96, 3.4.1985.

<sup>5</sup> OJ C 160, 18.6.1987; Bull. EC 5-1987, point 2.1.158.

<sup>6</sup> OJ L 357, 29.12.1976.

<sup>7</sup> OJ L 285, 29.12.1971.

<sup>8</sup> OJ L 61, 1.3.1985.

technological goods and selling them on the world market. The Council was again urged to adopt forthwith the second multiannual Community framework programme of research and technological development; all the areas were identified where Europe should firmly commit itself, and the appropriate priority measures were set out.

*Shelter for the homeless in the Community.* Since the UN General Assembly has designated 1987 'International Year of Shelter for the Homeless' and the Community has virtually ignored the existence of over a million homeless people, Parliament suggested steps that the Community should take concerning the right to legal protection, a policy of solidarity and the link between homelessness and a basic income. The Council was urged to put the recommendations in this resolution on the agenda of its next meeting on social affairs.

*The situation of women in the institutions of the Community.* Parliament forcefully restated the recommendations it made in its resolution of 17 January 1984<sup>1</sup> with the aim of improving the situation of women in the Community institutions and deplored the fact that little or nothing had been done since 1982. It nevertheless welcomed the move made by the Commission and Parliament in setting up Equal Opportunities Committees for their staff. The resolutions made proposals for securing true equality of opportunity for women and the Committee on Women's Rights was instructed to draw up an annual report on progress made towards equal treatment for men and women.

*Child labour.* Recalling its resolution of 9 March 1987 on international labour standards,<sup>2</sup> Parliament held that the root causes of child labour must be dealt with by means of measures to create employment and eliminate poverty. The resolution then specified what should be done on the social and economic fronts and in education and condemned the breaches of the provisions of labour law protecting minors now becoming increasingly frequent in certain Member States. Turning to the problem of child lab-

our in the Third World countries, Parliament urged the Community to address this issue in the context of its development programmes. The Commission was asked to incorporate Parliament's guidelines in a proposal for a Directive harmonizing national legislation governing child labour.

*The growing number of crimes connected with fascism, racism and xenophobia in Community countries.* Referring to its resolution of 16 January 1986 on this subject,<sup>3</sup> Parliament condemned the criminal activities of fascist organizations and called for them to be disbanded. The House appealed to the governments of the Member States to take urgent legal measures to ban the distribution of statements and declarations against immigrant workers, and to provide humanitarian organizations with essential resources and facilities in their attempt to alert public opinion to the danger of a resurgence of fascism.

*The death of 13 dockers in the port of Ravenna and of another 4 workers following the explosion of a methanol depot in Genoa.* Parliament offered its deepest sympathy to the families of the victims. It pointed out that certain Member States, including Italy, have still not adopted the 'Seveso I' Directive on major industrial hazards and that such disasters are the result of failure to comply with national and international labour standards. The House called on the Commission to present, pursuant to the new Article 118a of the Treaty, guidelines concerning the working environment to ensure the safety and health of workers and a framework regulation against black and illegal work in the Community.

*The defence of citizens' rights in Sardinia.* Parliament called on the Commission to take any steps likely to support the work of the local administration in the province of Nuoro in connection with economic, social and civil development, and to look in a

<sup>1</sup> OJ C 46, 20.2.1984; Bull. EC 1-1984, point 2.1.45.

<sup>2</sup> OJ C 99, 13.4.1987; Bull. EC 3-1987, point 2.4.9.

<sup>3</sup> OJ C 36, 17.2.1986; Bull. EC 1-1986, point 2.4.10.

favourable light at programmes proposed for Community cofinancing.

*The serious and prolonged drought in Sardinia.* Parliament called on the Commission to take steps to assist the farmers hit by the most serious drought for 50 years, to arrange for animal feed to be sent so as to halt the escalation of prices and to organize special Community action.

*The damage caused by the tornado which devastated the south-west of France and the north of Spain.* Parliament called on the Commission to grant Community emergency aid to repair the damage caused to infrastructures.

*Forest fires and the development of the Portuguese pine forest region.* Parliament urged the Commission to grant emergency aid to equip the local fire-fighting services with the means to fight fires from the air and on the ground, to earmark adequate appropriations for humanitarian aid to victims of the fires and to introduce a regional development programme for the 'Pinhal interior' region.

*The waste disposal industry and old waste dumps.* Referring to its resolutions of 16 March<sup>1</sup> and 11 April 1984,<sup>2</sup> Parliament called for the creation, within the Commission, of an administrative unit to be concerned solely with waste and with a bigger staff complement than hitherto, the harmonization of systems of statistics on waste, a nomenclature of dangerous waste, the development of a long-term Community waste management strategy, the organization of campaigns to make the public and producers of waste aware of the problem, and the tightening of safety procedures covering the movement of dangerous waste. The resolution contained a list of measures to be taken concerning old waste dumps.

*The system for the payment of refunds on agricultural exports.* Concerned at the number of cases of fraud against the system and the large amounts involved and at the legal loopholes in Community regulations which facilitate some of these frauds, Parliament

regretted that the Commission had not hitherto properly performed its task of coordinating and supervising Member States' monitoring systems, and had been slow in making the necessary changes to the regulations and the procedure. The Council was called upon to establish a uniform legal framework for the administration and supervision of the payments made under the export refund system. The House also considered that random checks should be made much more frequently and that penalties for fraud should be harmonized.

*Management problems which marked the 1983/84 wine season; production of synthetic wine, particularly of wine adulterated with methanol, and the impact on the EAGGF Guarantee Section of the withdrawal of synthetic wine from the market.* Parliament set out its proposals for a more effective policy that would improve the quality of wine production, and deplored the fact that the market management methods applied during 1983/84 had failed to reduce output. The House spelled out the principles that it had laid down earlier, which had not been strictly adhered to. The Council was urged to adopt the Commission's proposal to set up in each wine-growing Member State an agency specializing in combating wine fraud and to assign a small group of officials in the Commission to the task of ensuring that the Community provisions are applied uniformly everywhere. The Commission was asked to present new proposals which would enable it to check on the use made by Member States of funds received under the common agricultural policy.

*The development of aquaculture in the Community.* In view of the benefits that aquaculture can bring, Parliament considered that support should be given to the aquaculture industry. It called for more technical progress and hence the promotion of biotechnology and suggested that Community aid be concentrated on structures,

<sup>1</sup> OJ C 104, 16.4.1984; Bull. EC 3-1984, point 2.4.17.

<sup>2</sup> OJ C 127, 14.5.1984; Bull. EC 4-1984, point 2.4.9.

research, marketing and the centralization of certain services. The purpose of these suggestions for the development of aquaculture was to contribute to the fight against unemployment, to prevent aquaculture from being a source of pollution, and to ensure that the products were marketed under the most advantageous conditions.

*National aid in the fisheries sector.* Parliament observed that there had been no harmonization between the Member States' tax and social security systems and that any aid granted outside the common fisheries policy may distort competition. It considered that the changes that had occurred in the fisheries sector over the last 10 years now made necessary major structural changes to restore the Community fishing industry's prospects for long-term profitability. It therefore insisted that, when granting aid, the governments of the Member States and regional and local authorities should comply with the guidelines laid down by the Commission and with the principles of the common fisheries policy. While fully aware of the difficulties encountered by the Commission in applying that policy, Parliament believed that the Commission should monitor aid more strictly and step up its pressure on Member States to ensure that any unwarranted aid payments are reimbursed.

*1986 — Road Safety Year: progress and prospects.* Having passed resolutions on 13 March 1984<sup>1</sup> and 18 February 1986<sup>2</sup> on the adoption of Community measures for road safety, Parliament considered that European Road Safety Year had clearly demonstrated that the improvement of safety on our roads is a European task. It spelt out the priorities for action between now and the full completion of the internal market.

*Relations between the Community and the People's Republic of China.* Parliament welcomed the positive development of relations between the Community and China. It called on the Commission and the Council to support China's accession to GATT and to allow it continued eligibility for the generalized preferences scheme. The Com-

mission was requested to present a programme of cultural exchanges with the Chinese Government, centred on cooperation between universities, scientific institutions and economic undertakings, traineeships, youth exchange schemes and the twinning of towns.

*The seventh session of the UN Conference on Trade and Development, Geneva, 9 to 31 July.* Parliament considered that the economic situation of most of the developing countries had seriously worsened since Unctad VI and that the measures taken by the industrialized nations had not been sufficient to improve it. The House urged the Commission to take account of the positions defined by Parliament during its debate on 18 February on North-South relations and gave its opinions and views on the policy conducted hitherto by the Community towards the developing countries and the policy which, it believed, must be applied in future.

*The next European Council in Brussels and the future financing of the Community.* (→ point 2.3.2).

*The strategy of the European Parliament for achieving European Union.* Parliament restated the imperative reasons for European integration and claimed that it was its duty to see it achieved. It reiterated the principles that the draft treaty must adhere to: the principle of subsidiarity, the system of conferred powers, the unlimited duration of the Union and the irreversibility of what the Community had achieved, the primacy of Union law over national law, the principle of the separation, balance and democratic supervision of powers, the open-ended nature of the Union and the representative, democratic and constitutional nature of the Union and its institutions. The House instructed its Committee on Institutional Affairs to consider the possibility of Europe's citizens being allowed to express their views on the transformation of the

<sup>1</sup> OJ C 104, 16.4.1984; Bull. EC 3-1984, point 2.4.17.

<sup>2</sup> OJ C 68, 24.3.1986.



Community into a Union, and to make appropriate proposals. It was emphasized that the draft submitted by Parliament would have to be ratified by the Member States, and that it would be unthinkable for the aspirations of a massive majority to be permanently blocked by the existence of a small minority. The Committee was instructed to make suitable contact with the national government and parliamentary authorities, to awaken the public and the media to the need for, and urgency of, building European Union.

*The Single European Act.*<sup>1</sup> Parliament recalled that Article 145 of the EEC Treaty, as set out in Article 10 of the Single Act, allows the Council to confer implementing powers upon the Commission as soon as the Act comes into force. The House pressed the Council to honour its obligations and to adopt the Commission's proposal for strengthening its executive powers.<sup>2</sup>

2.4.20. In the fields of political cooperation and human rights Parliament passed resolutions on the following subjects.

*The consequences for the Community of the Conference on Security and Cooperation in Europe.* Parliament expressed a number of considerations, resolutions and proposals for the foundations of an 'Ostpolitik' for the Member States, security and disarmament, the Conference on Disarmament in Europe and the role of the Community and European political cooperation.

*Implementation of the Helsinki Agreement and the role of the European Parliament in the CSCE process.* Parliament restated the principles to be respected in matters relating to security, human rights and cooperation in the humanitarian and economic fields. It also expressed its views on the role of European political cooperation and of Parliament.

*Cooperation on security policy within the framework of European political cooperation.* Parliament referred to the preamble to the Single European Act, which stresses

the joint responsibility for making a contribution to the preservation of international peace and security. It was aware that at present substantial progress on arms control and disarmament seems possible, but expressed its regret that neither the Member States nor the Community as such have been given a suitably important role in international arms control and disarmament negotiations. Guidelines were issued for the Foreign Ministers meeting within political cooperation.

*Asylum policy of certain Member States.* Parliament regretted that the Trevi group had taken important decisions on asylum policy and visas without consulting it, and that human rights had been violated in expulsions at the airports of Amsterdam, Frankfurt, Copenhagen and London. Parliament urged the Member States which are prosecuting asylum seekers who have managed to flee their countries with counterfeit documents, or are imposing fines on airlines and making them pay the cost of flying these people back, to desist from any such treatment, which aggravated the *de facto* and *de jure* position of potential asylum seekers. The House made recommendations to the Member States in order to protect asylum seekers and asked the Commission to appoint one of its Members to be 'the Community spokesman on matters of asylum'.

*The situation of Jews in the USSR and the refusal of the Soviet Union to issue exit visas.* Noting that the Soviet Union had signed the Universal Declaration of Human Rights and the Final Act and the Final Document of the Helsinki and Madrid Conferences, and deeply disturbed by recent open manifestations of anti-Semitism in the Soviet Union, Parliament called for the immediate release of Alexei Magarik, urging the Soviet Union to grant exit visas to all 'refuseniks' and to put an end to the constant harassment to which they are subjected. The House also asked the Soviet

<sup>1</sup> Supplement 2/86 — Bull. EC.

<sup>2</sup> OJ C 70, 25.3.1986; Bull. EC 1-1986, point 2.4.6; Bull. EC 11-1986, point 2.4.5.

Government to stop using the classification 'Jew' as nationality on internal identity cards and to ban any further demonstrations of anti-Semitism.

*A political solution to the Armenian question.* Parliament held that the tragic events in 1915-17 involving the Armenians living in the territory of the Ottoman Empire constituted genocide and that the obdurate stances of successive Turkish Governments has done nothing to reduce the tension. The House recognized that contemporary Turkey cannot be held responsible for the tragedy of 1915-17, but noted that Turkey's attitude towards the Armenians, the Kurds, Greece and Cyprus, together with the lack of true parliamentary democracy and the failure to respect individual and collective freedoms, were insurmountable obstacles to consideration of Turkey's possible accession to the Community. The House also noted certain points and made recommendations concerning the attitudes of the Turkish and Soviet authorities towards Armenians.

*The escalation of violence in Sri Lanka and the crisis in relations between Sri Lanka and India.* Parliament expressed its belief that

the present crisis can only be resolved through a negotiated settlement which protects the rightful interests of all the communities and ensures that democracy, human rights and the territorial integrity of Sri Lanka are respected. The House addressed its recommendations to the two governments for securing such an agreement.

*Immediate release of nine women and seven men held in Singapore.* Parliament called on the Government of Singapore to release the 16 people without delay; they have been held since 21 May, their only crime being to seek to defend and assist victims of the economic crisis. It is alleged that they have been tortured by the police. Singapore has recognized the Universal Declaration of Human Rights.

## Council

2.4.21. The Council held 13 meetings in June. The following table lists the number, place and date of each meeting, the names of the Council President and Commission representatives and the main items of business. A more detailed account of specific items can be found in the sections of the Bulletin referred to in the footnotes.

Table 12 — Council meetings in June

Number, place and date of meeting	Subject	President	Commission	Main items of business
1170th Luxembourg 1 June	Industry	Mr Maystadt	Mr Narjes Mr Sutherland	Iron and steel policy — President's conclusions <sup>1</sup>
1171st Luxembourg 2 June	Energy	Mr Maystadt	Mr Mosar	Energy market — Council conclusions <sup>2</sup> Energy efficiency — Council conclusions <sup>2</sup> Natural gas — Council conclusions <sup>2</sup> Lignite and peat — exchange of views Nuclear energy Establishment of the internal market in the sphere of energy

Number, place and date of meeting	Subject	President	Commission	Main items of business
1172nd Luxembourg 2 June	Budget	Mr Verhofstadt	Mr Christophersen	Preliminary draft supplementary and amending budget No 1/87 — meeting with delegation from Parliament; discussion <sup>3</sup>
1173rd Luxembourg 9 June	Transport	Mr De Croo	Mr Clinton Davis Mr Sutherland	Air transport — comprehensive discussion <sup>4</sup>
1174th Luxembourg 10 June	Consumer protection and information	Mr Maystadt	Mr Varfis	Safety of toys — joint position Dangerous imitation products — agreement <sup>5</sup> Indication of prices of non-food products and foodstuffs — conclusions <sup>5</sup> Consumer redress — agreement <sup>5</sup> Safety of consumers in relation to consumer products — resolution <sup>5</sup> Community information and awareness campaign on child safety <sup>5</sup>
1175th Luxembourg 11 June	Internal market	Mr De Keersmaecker	Lord Cockfield	Second report concerning White Paper on completing the internal market Motor vehicles and trailers; motor vehicles and trailers (off road) — common position <sup>6</sup> Sound power level of tower cranes — agreement <sup>5</sup> Simplification of Community transit arrangements <sup>7</sup> Customs debt — agreement <sup>7</sup> Temporary importation of containers — agreement <sup>7</sup> Border controls <sup>6</sup> Right of residence — further discussion Public mobile communications — consensus <sup>8</sup> Simple pressure vessels <sup>5</sup> Community patent Dangerous preparations
1176th Luxembourg 15, 16, 17 and 18 June	Agriculture	Mr De Keersmaecker	Mr Andriessen	Socio-structural measures — conciliation meeting with Parliament; formal adoption of Regulation <sup>9</sup> Agricultural prices and related measures (1987/88) — detailed negotiations <sup>10</sup>

Number, place and date of meeting	Subject	President	Commission	Main items of business
1177th Luxembourg 15 June	Economic and financial affairs	Mr Eyskens	Mr Delors Mr Christoffersen Lord Cockfield	Imports of maize and sorghum into Spain <sup>9</sup> Veterinary questions: breeding of pure-bred bovine animals; classical swine fever; African swine fever; health problems affecting intra-Community trade in fresh meat; health problems upon importation of bovine animals and swine and fresh meat from non-member countries; health problems affecting intra-Community trade in meat products <sup>9</sup> Foodstuffs/animal feedingstuffs: extraction solvents; pesticide residues in animal feedingstuffs; flavourings <sup>9</sup> Strengthening of EMS Directive on mutual recognition of listing particulars for admission to stock exchange listing <sup>11</sup> Amendment of Regulation on own resources — conciliation meeting with delegation from Parliament <sup>3</sup> Financial implications for Spain and Portugal of programme for disposal of butter stocks Credit insurance and suretyship insurance <sup>11</sup> Directive on legal expenses insurance — agreement in principle <sup>11</sup> Reference framework for financial year 1988 <sup>3</sup>
1178th Luxembourg 14 June	Financial affairs/ Agriculture	Mr Eyskens Mr De Keersmaecker	Mr Delors Mr Christoffersen Mr Andriessen	Progress of agricultural negotiations — exchange of views <sup>12</sup>
1179th Luxembourg 22 June	General affairs	Mr Tindemans	Mr Delors Mr Christoffersen Mr Cheysson Mr De Clercq Mr Clinton Davis	Relations with Latin America <sup>13</sup> Industrial cooperation with certain LDCs in Latin America, Asia, the Gulf and the Mediterranean <sup>14</sup> Exercise of implementing powers conferred on Commission — agreement <sup>12</sup> The Single Act: A new frontier for Europe <sup>12</sup> Maximum permitted radioactivity levels Relations with USA: trade bills; pasta <sup>15</sup>

Number, place and date of meeting	Subject	President	Commission	Main items of business
1180th Luxembourg 24, 25 and 30 June	Transport	Mr De Croo	Mr Clinton Davis Mr Sutherland	Uruguay Round: tropical products <sup>16</sup> Preparations for Unctad VII <sup>17</sup> Credit insurance and suretyship — adoption <sup>11</sup> Legal expenses insurance — adoption <sup>11</sup> Air transport <sup>4</sup>
1181st Brussels 27 and 28 June	General affairs	Mr Tindemans	Mr Delors	Preparations for European Council <sup>12</sup>
1182nd Brussels 30 June	Agriculture	Mr De Keersmaeker	Mr Andriessen	Agricultural prices and related measures (1987/88) <sup>10</sup>

<sup>1</sup> Steel.<sup>2</sup> Energy.<sup>3</sup> Financing Community activities.<sup>4</sup> Transport.<sup>5</sup> Environment and consumers.<sup>6</sup> Internal market and industrial affairs.<sup>7</sup> Customs union and indirect taxation<sup>8</sup> Telecommunications, information technology and innovation.<sup>9</sup> Agriculture.<sup>10</sup> Point 1.3.1 *et seq.*<sup>11</sup> Financial institutions and company law.<sup>12</sup> European policy and relations between the institutions.<sup>13</sup> Point 3.5.1.<sup>14</sup> Point 3.6.1.<sup>15</sup> Relations with industrialized countries.<sup>16</sup> New multilateral trade negotiations<sup>17</sup> Development.

## Commission

### Activities

2.4.22. The Commission President, Mr Delors, attended the Western Economic Summit in Venice (→ point 1.2.1 *et seq.*).

Mr Delors and Mr Natali represented the Commission at the European Council in Brussels on 29 and 30 June (→ point 1.1.1 *et seq.*).

On 24 June the Commission met with Mr Ellemann-Jensen, the Danish Foreign Minister, who is to take over the Council Presidency on 1 July, for a wide-ranging discussion of priorities for the second half of the year.

### *Decisions, communications and proposals*

2.4.23. The Commission approved its Green Paper on telecommunications, the main aim of which is to initiate a wide-ranging debate among all concerned on the structure and future organization of telecommunications (→ point 1.4.1).

In response to the request made by the Council on 9 March the Commission approved a factual report describing the financial impact on Spain and Portugal of the programme for disposing of butter stocks.

The Commission adopted a series of social measures for the steel industry for 1987. These will supplement the ECSC's tra-

ditional activities and will permit the financing or part-financing of early retirement or redeployment schemes for steel workers who lose their jobs this year as a result of further restructuring (→ point 2.1.25).

The Commission decided to grant 10 million ECU for a pilot scheme for small businesses in Portugal which come up with projects likely to create new jobs and contribute to industrial innovation (→ point 2.1.16).

As part of the Uruguay Round, the Com-

mission approved proposals for negotiating directives which, once they are adopted by the Council, should enable the Community to offer tariff reductions and changes to non-tariff measures for tropical woods in their raw, processed and semi-processed form (→ point 2.2.1).

Finally, the Commission adopted a communication which will serve as a basis for the Community's position at the forthcoming session of Unctad, to be held in Geneva from 9 to 31 July (→ point 2.2.32).

## Court of Justice<sup>1</sup>

### 2.4.24. New cases

Case	Subject	Basis
<p><b>Steel — ECSC</b></p> <p>197/87 Wolff Flachstahl v Commission</p>	<p>Annulment of Commission Decision of 28 April 1987 in so far as it fixed reference production, production quotas, reference quantities and parts of quotas that may be supplied on the common market for the second quarter of 1987 for product category I(b)</p>	<p>Article 33 ECSC</p>
<p><b>Right of establishment/social security</b></p> <p>154/87 Rijksinstituut voor de Sociale Verzekeringen der Zelfstandigen v Wolf and Microtherm Europe</p>	<p>With reference to the period from 1973 to 1977 must Article 52 EEC, whether or not in conjunction with Article 7, be interpreted as meaning that a Member State, namely Belgium, could impose, under Article 35(1) of the Royal Decree of 19 December 1967, a greater liability to pay contributions under its social security scheme for self-employed persons on persons who are nationals of another Member State or persons who pursue an occupation or secondary occupation as a self-employed person within its territory, but who pursue an occupation or principal occupation as an employed person in their Member State of origin or another Member State and hence are not subject to a Belgian pension scheme, than on its own nationals or persons who are subject to a</p>	<p>Article 177 EEC</p>

<sup>1</sup> For more detailed information, see the material published by the Court of Justice in the *Official Journal* and the *European Court Reports*, and the publications of its Information Office (e.g. the weekly *Proceedings of the Court*).

Case	Subject	Basis
<p>155/87 <i>Rijksinstituut voor de Sociale Verzekeringen der Zelfstandigen v Dorchain and Almare</i></p>	<p>Belgian pension scheme as an employed person?</p> <p>Or, with reference to the said period, must the abovementioned provisions of the EEC Treaty be interpreted as meaning that the said national of the other Member State or person who is not subject to a Belgian pension scheme as an employee must, for the purposes of determining his liability to pay contributions under the social security scheme for self-employed persons, be treated by the legislation of the Member State within whose territory he pursues an activity as a self-employed person as if he were in paid employment within the territory of that State?</p> <p>With reference to the period from 1978 to 1981 must Article 52 EEC be interpreted as meaning that a Member State, namely Belgium, could impose, under Article 35(1) of the Royal Decree of 19 December 1967, a greater liability to pay contributions under its social security scheme for self-employed persons on persons who pursue an occupation or secondary occupation as a self-employed person within its territory, but who pursue an occupation or principal occupation as an employed person in another Member State and hence are not subject to a Belgian pension scheme, than on persons who are subject to a Belgian pension scheme as an employed person?</p> <p>Or, with reference to the said period, must the abovementioned provision of the EEC Treaty be interpreted as meaning that a person who is not subject to a Belgian pension scheme must, for the purposes of determining his liability to pay contributions under the social security scheme for self-employed persons, be treated by the legislation of the Member State within whose territory he pursues an activity as a self-employed person as if he were in paid employment within the territory of that State?</p>	<p>Article 177 EEC</p>
<p><b>Taxation</b></p> <p>86, 87, 88 and 89/87 <i>Lachkar and Others v Directeur des services fiscaux de Meurthe-et-Moselle</i></p>	<p>Does Article 95 EEC, on a true construction, prevent Member States from imposing on motor vehicles which exceed a certain power rating for tax purposes a differential tax which increases exponentially according to that rating, where the criterion itself is determined by a formula which has the effect of subjecting to such exponential increase any vehicle of a given cylinder capacity which is not manufactured in France and is imported, in particular from other Member States?</p>	<p>Article 177 EEC</p>

Case	Subject	Basis
<p>149/87 Sargos v Directeur des services fiscaux de Meurthe-et-Moselle</p>	<p>Must Article 95 EEC be interpreted as prohibiting a Member State from imposing on motor vehicles exceeding a certain power rating for tax purposes a differential tax which increases exponentially according to the power rating for tax purposes where that criterion is itself defined by the formula the effect of which is to subject to the exponential increase all vehicles having the relevant cylinder capacity, which are not manufactured in France and are imported in particular from other Member States?</p>	<p>Article 177 EEC</p>
<p><b>State aid</b></p>		
<p>166/87 France v Commission</p>	<p>Annulment of Commission Decision of 25 March 1987 (concerning aid granted by the French Government to Usinor and Sacilor) declaring the aid illegal and incompatible with Article 92 EEC</p>	<p>Article 173 EEC</p>
<p>173/86 Usinor, Sacilor and Others v Commission</p>	<p>Annulment of Commission Decision of 25 March 1987 (concerning aid granted by the French Government to Usinor and Sacilor) declaring the aid illegal and incompatible with Article 92 EEC</p>	<p>Article 173 EEC</p>
<p><b>Social policy</b></p>		
<p>101/87 Bork International v Foreningen af Arbejdsledere i Danmark</p>	<p>Does Council Directive 77/187/EEC apply where the lessor of the buildings, plant and machinery for the operation of an undertaking, after notice terminating or the forfeiture of the lease and after the undertaking's cessation of operations, retakes possession of the leased property and thereafter transfers it to a third party who shortly afterwards resumes the operation of the undertaking without engaging new staff, inasmuch as the transferee re-engages, without there being an agreement on the subject either with the former lessee or with the transferor or between those two parties, a good half of the employees who were employed in the undertaking by the former lessee?</p>	<p>Article 177 EEC</p>
<p>144 and 145/87 Berg v Besselsen, Busschers v Besselsen</p>	<p>(a) Interpretation of Article 1(1) of Council Directive 77/187/EEC: Can a lease/purchase result in the transfer of an undertaking, and does the dissolution of that agreement by court order result in a transfer back to the vendor? (b) Interpretation of Article 3(1) of that Directive: after the transfer, is the transferor still liable for the obligations arising from the employment contract? Does the termination of that liability require the employee's consent? If so, does an employee who does not consent remain in the employment of the transferor?</p>	<p>Article 177 EEC</p>



Case	Subject	Basis
<b>Agriculture</b>		
183/87 Spain v Council <sup>1</sup>	Annulment of Council Regulation No 801/87 <sup>2</sup> (amending Regulation No 1883/78 laying down general rules for the financing of interventions by the EAGGF Guarantee Section), which postpones the financing of losses on the disposal of butter from public stocks in 1987 and 1988 until 1989-92 (thus increasing Spain's net share in this financing)	Article 173 EEC
184/87 Portugal v Council	Annulment of Council Regulation No 801/87 <sup>2</sup> (amending Regulation No 1883/78 laying down general rules for the financing of interventions by the EAGGF Guarantee Section), which postpones the financing of losses on the disposal of butter from public stocks in 1987 and 1988 until 1989-92 (thus increasing Portugal's net share in this financing)	Article 173 EEC
191/87 CO. VA. LE Cooperativa Allevatori Equini and Others v Commission <sup>3</sup>	Annulment of Article 2 of Commission Regulation No 1121/87 (amending Regulations Nos 612/77 and 1136/79 as regards release of the security under certain special arrangements for import of beef and veal), which provides that the security is to be forfeited in daily percentages for each day of delay	Article 173 EEC
<b>Fisheries</b>		
167/87 Opagac and others v Commission <sup>4</sup> 168/87 Optuc v Commission <sup>1</sup> 170/87 Spain v Commission <sup>1</sup>	Annulment of Commission Regulation No 712/87 determining the maximum amount of the compensation for tuna supplied to the canning industry during the period 1 March to 31 May 1986	Article 173 EEC
<b>Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters</b>		
158/87 Scherrens v Maenhout and Others <sup>5</sup>	Interpretation of Article 16(1) of the Convention with regard to the lease of a farm of which the buildings (with some land) are situated in one Contracting State (Belgium) and most of the land in another (the Netherlands)	
<b>External relations</b>		
160/87 Neotype Techmashexport v Council <sup>6</sup>	Annulment of Council Regulation No 864/87 imposing a definitive anti-dumping duty on imports of standardized multiphase electric motors having an output of more than 0.75 kW but not more than 75 kW, originating in Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland or the Soviet Union, and definitively collecting the amounts secured as provisional duties	Article 173 EEC

Case	Subject	Basis
165/87 Commission v Council	Annulment of the Council Decision of 7 April 1987 concerning the conclusion of the International Convention on the Harmonized Commodity Description and Coding System	Article 173 EEC
171/87 Canon v Council	Annulment of Council Regulation No 535/87 imposing a definitive anti-dumping duty on imports of plain-paper photocopiers originating in Japan, in so far as it concerns the applicants	Article 173 EEC
172/87 Mita Industrial v Council		
174/87 Ricoh v Council		
175/87 Matsushita Electric Industrial and Matsushita Electric Trading v Council		
176/87 Konishiroku Photo Industry v Council		
177/87 Sanyo Electric v Council		
178/87 Minolta v Council		
179/87 Sharp v Council		
185/87 Enital v Council <sup>7</sup>	Annulment of Council Regulation No 864/87 imposing a definitive anti-dumping duty on imports of standardized multiphase electric motors having an output of more than 0.75 kW but not more than 75 kW, originating in Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland or the Soviet Union, and definitively collecting the amounts secured as provisional duties	Article 173 EEC
188/87 Stanko France v Council <sup>7</sup>		
<b>Infringements</b>		
169/87 Commission v France <sup>8</sup>	Application to the Court to hold that the French rules determining the retail sale price of manufactured tobacco are incompatible with Article 5(1) of Directive 72/464/EEC and Article 30 EEC, and that France has failed to fulfil its obligations under Article 171 EEC by failing to take the necessary steps to comply with the Court's judgment in Case 90/82	Article 173 EEC

**Disputes between the Community and its staff**

v Commission:

163/87 — Nowak and Others<sup>8</sup> — Annulment of salary statement on the ground that the weighting used was insufficient, and payment of damages and interest

164/87 — Simonella<sup>8</sup>

180/87 — Hamill<sup>8</sup>

181/87 — Agazzi Leonard<sup>4</sup>

v Court of Justice:

162/87 — Tagaras

v Court of Auditors:

161/87 — Muysers and Tülp<sup>8</sup>

193/87 — Maurissen

194/87 — Union syndicale

198/87 — Kerzmann<sup>8</sup><sup>1</sup> OJ C 188, 17.7.1987.<sup>2</sup> OJ L 79, 21.3.1987; Bull. EC 3-1987, point 2.1.182.<sup>3</sup> OJ C 189, 18.7.1987.<sup>4</sup> OJ C 184, 14.7.1987.<sup>5</sup> OJ C 169, 26.6.1987.<sup>6</sup> OJ C 194, 23.7.1987.<sup>7</sup> OJ C 193, 22.7.1987.<sup>8</sup> OJ C 181, 9.7.1987.

## 2.4.25. Judgments

Date and Case	Held
<p><b>Free movement of goods</b></p> <p>11.6.1987: 406/85 Procureur de la Republique v Gofette and Gilliard<sup>1</sup></p>	<p>At the present stage in the development of Community law, Articles 30 and 36 EEC are to be interpreted as meaning that an approval procedure laid down in a Member State for vehicles imported from another Member State and already approved for use in that State complies with the Treaty provided that:</p> <p>(a) the testing procedure does not entail unreasonable costs or delays and the public authorities ensure that those conditions are fully met where the manufacturer or his authorized agent has the task of carrying out the necessary tests;</p> <p>(b) the importer may, as an alternative to the testing procedure, produce documents issued in the exporting Member State where those documents provide the necessary information based on tests already carried out</p>
<p><b>State aid</b></p> <p>16.6.1987: 142/87R Belgium v Commission<sup>2</sup></p>	<p>The application is dismissed (Application for interim measures suspending implementation of the Commission Decision of 4 February 1987 requiring Belgium to terminate and to recover aid amounting to BFR 11 800 million granted illegally to Tubemeuse)</p>
<p><b>Social policy</b></p> <p>11.6.1987: 30/85 Teuling v Bestuur van de Bedrijfsvereniging voor de Chemische Industrie<sup>3</sup></p>	<p>1. Article 4(1) of Council Directive 79/7/EEC of 19 December 1978 is to be interpreted as meaning that it permits the amount of benefit payable for incapacity for work to depend <i>inter alia</i> on marital status and the income derived directly or indirectly from the activities of a spouse, provided that the purpose is to guarantee, by increasing the amount of a social security benefit, the minimum means of subsistence for beneficiaries with a spouse or dependent children</p>

Date and Case	Held
<p>18.6.1987: 316/85 CPAS Courcelles v Lebon<sup>4</sup></p>	<p>by compensating for the greater burden they bear by comparison with single persons</p> <p>2. Article 4(1) of Directive 79/7/EEC is to be interpreted as permitting legislation whereby the guarantee previously given to all workers incapacitated for work whose income is close to the statutory minimum wage of (net) benefits at least equal to the (net) statutory minimum wage is restricted to those with a spouse either dependent on them or in receipt of only a minimal income, and those with dependent children</p> <p>1. Descendants who were living with a worker who is a national of a Member State who was employed in the territory of another Member State where he lives after obtaining a retirement pension do not retain the right to equality of treatment in relation to social benefits provided by the legislation of the host State and generally guaranteeing a minimum means of subsistence if they have reached the age of 21, are no longer dependent and do not have the status of worker</p> <p>2. The status of member of the family who is a dependant as referred to in Article 10(1) and (2) of Regulation No 1612/68 results from a factual situation (support provided by the worker) and it is not necessary to determine the reasons for recourse to such support</p> <p>3. As far as concerns social and tax benefits equality of treatment conferred by Article 7(2) of Regulation No 1612/68 inures for the benefit only of workers and not nationals of Member States who migrate in search of employment</p>
<p><b>Social security</b></p>	
<p>4.6.1987: 375/85 Campana v Bundesanstalt für Arbeit</p>	<p>Article 67(1) read in conjunction with Article 4(1)(g) of Council Regulation No 1408/71 must be interpreted as including assistance for vocational training granted to a person in employment when that person is actually threatened by unemployment</p>
<p>24.6.1987: 384/85 Borrie Clarke v Chief Adjudication Officer</p>	<p>Article 4(1) of Council Directive 79/7/EEC on the progressive implementation of the principle of equal treatment for men and women in matters of social security could be relied upon as from 22 December 1984 in order to prevent the extension beyond that date of the effects of an earlier national provision inconsistent with Article 4(1). In the absence of appropriate measures for the implementation of that article, women are entitled to be treated in the same manner, and to have the same rules applied to them, as men who are in the same situation, since, where the Directive has not been</p>

Date and Case	Held
<b>Agriculture</b>	implemented, those rules remain the only valid point of reference
17.6.1987: 424 and 425/85 Coöperatieve Melkproducentenbedrijven Noord Nederland and Others v Voedselvoorzienings in- en verkoopbureau <sup>4</sup>	Consideration of the questions raised by the College van Beroep voor het Bedrijfsleven has disclosed no factor of such a kind as to affect the validity of Commission Regulation (EEC) No 1746/84, which amended Article 24(3) of Regulation No 685/69
30.6.1987: 47/86 Roquette Frères v ONIC	<p>1. Commission Regulation No 1570/78 laying down detailed rules for the application of Council Regulation No 2742/85 as regards production refunds on starches has not infringed the provisions of Article 8 of the aforementioned Council Regulation by providing for the granting of advances together with the lodging of a security as the only method of payment of production refunds</p> <p>2. The second subparagraph of Article 3(3)(a) of Commission Regulation No 1570/78 is invalid in so far as it fails to provide for the release of the part of the security corresponding to the increase of 5% in proportion to the quantity of the basic product actually processed</p>
<b>Fisheries</b>	Consideration of the question raised (division among the Member States of the total catches of plaice allowable in ICES divisions IIa and IV) has disclosed no factor of such a kind as to affect the validity of Council Regulation No 1/85
16.6.1987: 46/86 Romkes v Officier van Justitie, Zwolle <sup>2</sup>	Consideration of the question raised (division among the Member States of the total catches of plaice allowable in ICES divisions IIa and IV) has disclosed no factor of such a kind as to affect the validity of Council Regulation No 1/85
16.6.1987: 53/86 Officier van Justitie, Zwolle v Romkes and Others <sup>2</sup>	<p>1. Article 20(1) of Council Regulation (EEC) No 171/83 must be interpreted to the effect that the words 'national measures' mean any national measures, whatever the date of their adoption</p> <p>2. A national measure prohibiting the fishermen of the Member State which adopted the measure from catching fish of a minimum size different from that laid down in the other Member States is covered by Article 20(1) of Council Regulation (EEC) No 171/83</p>
<b>Transport</b>	The provisions of the EEC Treaty relating to the free movement of goods, the freedom to provide services and the common transport policy must be interpreted as meaning that they do not preclude a Member State from applying to vehicles registered in another Member State national provisions laying down, in accordance with Council Directive 85/3, a maximum permitted height of
11.6.1987: 241/86 Ministère public v Bodin and Others <sup>1</sup>	The provisions of the EEC Treaty relating to the free movement of goods, the freedom to provide services and the common transport policy must be interpreted as meaning that they do not preclude a Member State from applying to vehicles registered in another Member State national provisions laying down, in accordance with Council Directive 85/3, a maximum permitted height of

Date and Case	Held
	<p>four metres for all vehicles or trailers used on roads within its territory even when that limit is not provided for in the Member State in which they are registered</p>
<p><b>Environment</b></p>	
<p>11.6.1987: 14/86 Pretore di Salò v X</p>	<p>Council Directive 78/659 cannot, of itself and independently of a national law adopted by a Member State for its implementation, have the effect of determining or adding to the criminal liabilities of persons who act in breach of its provisions</p>
<p><b>Protocol on the Privileges and Immunities of the Communities</b></p>	
<p>17.6.1987: A1/87 Application by Universe Tankship Company<sup>5</sup></p>	<p>No order need be made (Application for authorization to attach sums in the hands of the Commission)</p>
<p><b>Infringements</b></p>	
<p>4.6.1987: 134/86 Commission v Belgium<sup>6</sup></p>	<p>By not adopting within the prescribed period the provisions necessary to comply with Council Directives 82/242/EEC and 82/243/EEC of 31 March 1982, Belgium has failed to comply with its obligations under the EEC Treaty</p>
<p>16.6.1987: 118/85 Commission v Italy<sup>2</sup></p>	<p>By refusing to supply information to the Commission concerning the Amministrazione autonoma dei monopoli di Stato, Italy has failed to fulfil its obligations under Article 5(2) of Commission Directive 80/723 on the transparency of financial relations between Member States and public undertakings</p>
<p>16.6.1987: 225/85 Commission v Italy<sup>2</sup></p>	<p>By discriminating, as regards employment and working conditions, against researchers working for the Consiglio nazionale delle ricerche who are nationals of other Member States in favour of researchers of Italian nationality working for that body, Italy has failed to fulfil its obligations under Article 48 EEC and Article 7(1) and (4) of Council Regulation (EEC) No 1612/68</p>
<p>17.6.1987: 154/85 Commission v Italy<sup>4</sup></p>	<p>By adopting, in succession, Circulars Nos 66/84, 125/84 and 22/85, applicable from 1 July 1984 to 21 June 1985, Italy has failed to fulfil its obligations under Article 30 EEC</p>
<p>17.6.1987: 394/85 Commission v Italy<sup>2</sup></p>	<p>By failing to adopt within the prescribed periods the measures required by Council Regulations Nos 856 and 857/84 and by Commission Regulation No 1371/84, Italy has failed to fulfil its obligations under those regulations</p>

Date and Case	Held
17.6.1987: 1/86 Commission v Belgium <sup>4</sup>	By failing to adopt within the prescribed period all the measures necessary to comply with Council Directive 80/68/EEC on the protection of groundwater against pollution caused by certain dangerous substances, Belgium has failed to fulfil its obligations under the EEC Treaty
17.6.1987: 408/85 Commission v Belgium <sup>4</sup>	Removed from the Court Register (failure to incorporate Council Directives 80/1268, 80/1269, 83/276 and 83/351 — motor vehicles: consumption, power, lighting, pollution)
17.6.1987: 409/85 Commission v Belgium <sup>4</sup>	Removed from the Court Register (failure to incorporate Commission Directives 82/953 and 83/190 — tractors (roll-over), agricultural tractors)
17.6.1987: 15/87 Commission v Belgium <sup>4</sup>	Removed from the Court Register (failure to communicate national measures implementing Commission Directives 84/8 and 84/372 and Council Directive 84/424 — motor vehicle signalling and sound level)

### Disputes between the Community and its staff

#### v Commission:

10.6.1987: 736/79 and 738 to 780/79 Aranovitch and Others — No order need be made (Annulment of Council Regulation No 3087/78 adapting the weighting applicable to the remuneration and pensions of officials and other servants employed in Italy)

10.6.1987: 321/81 Battaglia and Others — No order need be made (Annulment of salary statements since 1 February 1981)

10.6.1987: 317/85 Pomar — The application is dismissed as inadmissible

16.6.1987: 40/86 Kolivas<sup>3</sup> — The application is dismissed

16.6.1987: 54/86 Grumbach<sup>3</sup> — The application is dismissed as inadmissible

24.6.1987: 61/85 von Neuhoff von der Ley<sup>7</sup> — The application is dismissed

#### v Parliament:

10.6.1987: 7/86 Vincent<sup>1</sup> — The application is dismissed

#### v Economic and Social Committee:

10.6.1987: 307/85 Gavanoas<sup>1</sup> — The application is dismissed

<sup>1</sup> OJ C 172, 30.6.1987.

<sup>2</sup> OJ C 183, 11.7.1987.

<sup>3</sup> OJ C 181, 9.7.1987.

<sup>4</sup> OJ C 184, 14.7.1987.

<sup>5</sup> OJ C 194, 23.7.1987.

<sup>6</sup> OJ C 169, 26.6.1987.

<sup>7</sup> OJ C 186, 16.7.1987.

## Court of Auditors

2.4.26. The Court of Auditors adopted a special report on the quality of food aid (the extent to which food aid products comply with the applicable rules as regards quality, quantity, packaging, time and place).

The Court examined the main shortcomings found with a view to determining their causes — whether they derive from the rules themselves, or from operational or other factors — and to consider to what extent changes in the system of management would make it possible to improve the conditions in which the Community provides food aid to the developing countries.

The report was critical of the complexity of the rules, the scattered distribution of responsibilities within the Community and certain inadequacies in the monitoring, guarantee and insurance systems. The Court felt that to achieve any appreciable improvements one of the main aims should be to award the contract, as far as possible, to a sole contractor who would be responsible for the provision of aid from the supply of the product to its delivery at the place of destination, but without excluding the possibility of subcontracting.

The Court and the Commission had a meeting to consider their positions on the report, which will be published in the *Official Journal of the European Communities* together with the Commission's replies.

2.4.27. On 10 June the Court of Auditors adopted an opinion on the proposal<sup>1</sup> to amend the Regulation of 21 April 1970 on the financing of the common agricultural policy as regards the system of advanced payments in the Guarantee Section of the EAGGF.<sup>2</sup>

## ECSC Consultative Committee

2.4.28. The ECSC Consultative Committee held its 263rd meeting in Luxembourg on 25 June with Mr Roy Evans in the chair. The Committee gave its opinion, under

Articles 19 and 46 of the ECSC Treaty, on the forward steel programme for the third quarter of 1987 (→ point 2.1.20). The Committee called for various points to be revised: the rates of abatement applied to flat products; the omission of any reference to the external protection measures; and the criteria for allocating quotas to the United Kingdom.

The Committee also gave its opinion under the same Articles on the report on the Community solid fuels market in 1986 and the outlook for 1987 (→ point 2.1.230). It welcomed the report and expressed concern over developments on the coal market, pointing to the glaring discrepancy between the actual proportion of solid fuels in overall energy consumption and the energy policy objectives for 1995. The Committee suggested that to reverse this trend the Commission should draw on the financial resources at its command, notably ECSC loans, and apply the arrangements for price reductions.

The Committee also voiced its concern over the growth in imports from non-member countries, frequently at what were clearly dumping prices. In view of the large drop in consumption and production of coke and the appreciable increase in stocks, the Committee stressed the need for a more searching appraisal of the coke market and the definition of a Community policy.

## European Investment Bank<sup>3</sup>

### *Operations in June*

2.4.29. In June the European Investment Bank announced loans for investment in the Community totalling 282.5 million ECU<sup>4</sup>

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<sup>1</sup> OJ C 137, 22.5.1987; Bull. EC 5-1987, point 2.1.177.

<sup>2</sup> OJ L 94, 28.4.1970.

<sup>3</sup> Further details can be obtained from the European Investment Bank, 100 bd Konrad Adenauer, L-2950 Luxembourg (tel. 43791).

<sup>4</sup> The conversion rates at 31 March 1987 used by the Bank in statistics for the second quarter were 1 ECU = BFR 42.92, DKR 7.83, DM 2.07, DR 152.39, ESC 160.73, FF 6.90, HFL 2.34, IRL 0.78, LFR 42.92, LIT 1 477, PTA 145.74, UKL 0.72, USD 1.15.



— 173.8 million ECU in France, 75.5 million ECU in the United Kingdom, 19.2 million ECU in Spain and 13.95 million ECU in Belgium. Outside the Community, the Bank lent 10.5 million ECU in Turkey and 28.75 million ECU to three ACP States under the third Lomé Convention.

## Community

### France

2.4.30. In France the Bank lent FF 1 200 million — FF 900 million for infrastructure projects and FF 300 million for an industrial project employing advanced technologies. On the infrastructure front, FF 400 million was for the Bourges to Clermont-Ferrand section of the A71 motorway to provide a link between the A10 (Paris to Orléans) and the A47 (Clermont-Ferrand to Lyons) and so help open up the Auvergne. The loan will help finance some 180 km of motorway involving 130 engineering structures (including two viaducts) and seven interchanges. Some of the sections will be completed by this autumn while others will not be operational until the end of 1989. A further FF 200 million will help finance the Angers/Durtal and Durtal/La Flèche/Le Mans sections of the A11 motorway covering a total of 81.5 km and requiring 64 engineering structures, including two viaducts. These stretches will complete the motorway link between Paris and Nantes, thereby meeting one of the priorities in the Loire regional development programme. The A11 will have a substantial economic effect on the coastal area from Lorient to St-Nazaire and on the hinterland.

Continuing its promotion of the high-speed train (TGV) Atlantique to improve railway services to the west and south-west, the Bank lent a further FF 200 million to the Société nationale de chemins de fer français (SNCF) to help finance the laying of 279 km of double-track line designed to carry trains at 300 km per hour: the 124 km from Paris to Courtalain will serve both the west and the south-west and there will be branches to Le Mans (52 km) and Tours (103 km).

The new line will connect up with the network already serving Brittany and the south-west. Plans also include the purchase of 95 passenger trains, each with 485 fixed and 24 folding seats, 2 locomotives and 10 carriages, and improvements to stations and workshops. The TGV-Atlantique is one of SNCF's major investment projects for the coming years and will greatly improve services to and from the two regions concerned. Depending on the destination, it will reduce travelling time by between 22 and 31%; it will also improve passenger comfort. The improved services could raise the number of passengers by as much as 34% to 20 million per year. Services are expected to commence in autumn 1989 for the western region and in 1990 for the south-west.

FF 60 million was lent for the construction of a second terminal at Nice airport. The loan was granted to the Chambre de commerce et d'industrie de Nice et des Alpes-Maritimes, which holds the concession for operating the airport. The new terminal will enable the airport's facilities to keep pace with the growth in traffic to and from major French and European cities and help promote the development of tourist potential and the diversification of the regional economy currently beset with major structural imbalances. The airport, whose main source of traffic is tourism, the region's major asset, is also recording a rapid upturn in the number of business travellers, who now account for almost one third of total activity. Nice airport, the second largest in France after Paris, handled 4.5 million passengers in 1986. It mainly serves areas covered by the integrated Mediterranean programmes and qualifying for the special measures available under planning policy in view of their high unemployment rates. In addition to improving facilities for existing routes, extension of the airport will offer scope for opening up new links, notably with Corsica and the French overseas departments, as well as with Florence, Bologna and Düsseldorf. The new terminal will be able to handle 2.5 million passengers per year and the works (building plus infrastructure), costing almost FF 300 million

(not including VAT), should lead to the creation of 300 permanent jobs.

A FF 40 million loan will be used for road improvement, drainage and water supply works in the Nancy area. The loan was made to the urban district, which includes the town and 17 neighbouring communes and has a total of 250 000 inhabitants. The project will cost an estimated FF 234 million and will involve works on the Meurthe to permit the extension of industrial sites and the location of new industries and industrial and leisure areas covering a total of 620 ha, improvements to the Richardménil reservoir to improve security of supply to households and firms, the upgrading and extension of the drainage network and the building of a new bridge over the Meurthe to enable a new access road to the east to remove existing bottlenecks, encourage firms to set up on the right bank of the river, bring abandoned sites near the town centre back into use and improve links to the Metz and Dijon motorways.

On the industrial front, the Bank lent FF 300 million to Peugeot SA for the technological restructuring of the motor vehicle paint shop at Sochaux as part of the group's general modernization programme. The project will cost over FF 1 300 million and will include civil engineering works (buildings for the main paint shop, paint storage and link tunnel — total area about 37 000 square metres) and plant, machinery and production equipment. The 'laboratory' paint shop, which should be completed by early 1989, will employ all the latest technology in this field to an extent without precedent in Europe. It is therefore in line with the Community's aims of stepping up the deployment of advanced technologies to improve the competitiveness of European industry. While capacity will remain unchanged at 1 800 vehicles per day, the quality and durability of the paint on the top-of-the-range models produced at Sochaux will be improved and the firm made more competitive. Working conditions will also be greatly improved by a reduction in the unpleasant nature of certain operations and the upgrading of skill

levels. The new stoving and drying operations will mean reduced energy consumption thanks to the installation of dual-fired systems using electricity and gas and a centralized heat recovery unit and to the use of paints requiring lower stoving temperatures.

### *United Kingdom*

2.4.31. UKL 54 million was lent in the United Kingdom for infrastructure projects. UKL 20 million went to the Yorkshire Water Authority to improve water supply and drainage facilities, mainly through the rehabilitation of water mains throughout Yorkshire, treatment plants and reservoirs in the Leeds and Sheffield areas, and a sea outfall at Scarborough, with a view to improving the region's basic infrastructure, meeting industrial demand and attracting new investment.

A UKL 11.5 million loan to Newcastle City Council will finance work designed to make the city more attractive to industrial investors now that traditional activities in the region have declined. Works being carried out include conversion of a former shipyard into a technology park, development of a centre for small industrial units, road improvements, and schemes to reduce heating and lighting consumption in municipal buildings. There are also plans for the construction of a college building and the provision of computer facilities and equipment for fashion design courses at Newcastle Polytechnic to train professionals for local industry. Part of the funds will be spent on the Tyne and Wear railway system to upgrade track, build engineering workshops and provide an integrated passenger information and data system. The investments are to reduce operating costs and enhance service reliability.

A UKL 10 million loan to Shetland County Council will finance roadworks, water supply and drainage works, the development of industrial sites, and the purchase of six ferries and harbour improvements on the Shetlands to improve links with the mainland and help the local economy to cope

with the anticipated downturn in employment in the oil industry.

A UKL 10 million loan to Cheshire County Council will be used for roadworks, including a bridge over the River Dee, the reclamation of sites for industrial and commercial use, and the upgrading of waste disposal facilities. These schemes are designed to encourage urban and economic regeneration in the Merseyside area, where the unemployment rate is particularly high.

A UKL 2.5 million loan to Dyfed County Council will be used for the construction of access roads and a new bridge over the River Loughar and for an extension at Haverfordwest College of Further Education to provide technical training to meet changing local needs in manufacturing and service industries. The bridge will improve communications with industrial areas and with Swansea.

### *Spain*

2.4.32. In Spain the Bank lent PTA 2 800 million to finance leasing operations to facilitate investment by small businesses. The funds will be made available to Uninter-Leasing SA, a subsidiary of the Banco Hispano Americano group, as a global loan to be onlent for small-scale investments. By financing the leasing of machinery and equipment, the funds will help the expansion and modernization of small businesses and related services (as well as tourism projects in the less developed regions) and enable them to cope with the increase in competition following Spain's accession to the European Community.

### *Belgium*

2.4.33. The Bank lent BFR 600 million in Belgium for the production of thin and extra-thin glass. The investment project, to be carried out by the Glaverbel group at its Mol factory in the province of Antwerp, involves the installation of new plant specially designed for the manufacture of thin and extra-thin glass. It is the first of its type in the Community and will promote the

development of this new technique in Europe as well as increasing the competitiveness of the products manufactured at Mol. The outlook for key areas such as electronics, medical equipment, optoelectronics and solar energy is extremely bright. The new plant, costed at over BFR 2 000 million, will also allow a substantial reduction in energy consumption, and safeguard around 500 jobs in an area of high unemployment.

## **Outside the Community**

### *Mediterranean*

2.4.34. The Bank lent 10.5 million ECU in Turkey for the construction of an electricity transmission line that will strengthen the electricity supply network. The project, which is to be carried out by the Turkish Electricity Authority, forms part of a wider scheme to link three new power stations in south-west Turkey to the national grid. Works involve the erection of a 380 kV transmission line from a new substation near Izmir to a power station at Yeniköy 160 km to the south and to an existing substation at Aliaga 60 km to the north. Scheduled to be completed by 1990 at a total cost of 32.5 million ECU, the project will help accommodate an expansion of electricity generation and meet the government's aim of developing indigenous energy supplies by bringing electricity from thermal power stations using locally available resources in the south-west to the main consumption areas in the north.

This loan uses up the balance of the 30 million ECU made available under the Supplementary Protocol to the second EEC-Turkey Financial Protocol, which was concluded after the first Community enlargement in 1973 and provided for contributions from the then new Member States (Denmark, Ireland and the United Kingdom).

### *ACP States*

2.4.35. Under the third Lomé Convention, the Bank lent 15.5 million ECU to help

finance renovation of power generation and transmission facilities and additional distribution capacity in Madagascar. The works are designed to increase reliability and make more efficient use of generating capacity by improving the distribution network. Advanced from risk capital, the financing package consists of a 13.5 million ECU conditional loan granted for 25 years at 2% to the central government, which will onlend the proceeds in the form of a convertible loan to Jirama, the national electricity and water supply company, to fund renovation of some of its diesel generators and transmission equipment and extension of power distribution facilities, and a conditional loan of 2 million ECU, for 10 years at 1%, also granted to the government to be channelled via the Central Bank to Jirama, to build up a stock of spare parts.

The works will include renovation of the power stations at Nosy Bé (in the north-west) and Mahajanga (on the west coast), repairs to a number of smaller diesel-fired power plants, the design, supply and installation of a basic telecommunications system to link Jirama's technical departments with power stations throughout the country, and extension of the medium and low-voltage grid, largely to serve the capital, Antananarivo.

The Bank also lent 5.25 million ECU in Jamaica from its own resources to help extend the port of Montego Bay to enable it to deal with the growing number of cruise

ships calling there and to provide more space for cargo handling. The main component of the project is the construction of a sheet-pile quay 410 m long and to accommodate cruise ships up to 295 m in length (compared with the current maximum length of 190 m), i.e. a draught of up to 11.3 m. Other works include dredging of the entrance channel, widening of the inner basin and construction of a 1 650 square-metre passenger terminal able to cope with 2 000 people. The project will also release space to improve cargo-handling facilities. The work, which will cost a total of 10.5 million ECU, should be finished in 1988 and will help promote tourism, one of Jamaica's main economic activities.

A loan of 2 million ECU from risk capital was made in the Comoros to help finance investments by small businesses in industry, agro-industry, tourism and transport. The loan was granted to the Banque de développement des Comores (BDC) for 15 years at an interest rate of 2%. The BDC will onlend these funds for investments selected in agreement with the EIB. The BDC was established in 1981 following a feasibility study financed by the EIB and is a semi-public body supervised by the Minister for Finance. The majority shareholder is the State, with 66.66%; the remainder of its capital is held by the Caisse centrale de coopération économique in Paris, with 16.67%, and the EIB on behalf of the European Community, also with 16.67%.

2025

**DOCUMENTATION**

# 1. ECU

## Values in national currencies of one ECU

30 June 1987 <sup>1</sup>	
Belgian franc and Luxembourg franc (convertible)	43.0117
Belgian franc and Luxembourg franc (financial)	43.1646
Danish krone	7.86263
German mark	2.07288
Greek drachma	155.610
Portuguese escudo	162.497
French franc	6.91563
Dutch guilder	2.33240
Irish pound	0.773758
Italian lira	1 501.61
Spanish peseta	143.637
Pound sterling	0.704028
United States dollar	1.13278
Swiss franc	1.72126
Swedish krona	7.24300
Norwegian krone	7.60436
Canadian dollar	1.51000
Austrian schilling	14.5721
Finnish mark	5.05220
Japanese yen	166.519
Australian dollar	1.57243
New Zealand dollar	1.90865

<sup>1</sup> OJ C 173, 1.7.1987.

NB: Explanatory notes on the ECU and 'green' rates can be found in Bull. EC 7/8-1982, points 3.1.1 to 3.1.3, and Bull. EC 10-1984, point 3.1.1.

## Representative rates ('green' rates)

*Conversion rates into national currencies for the ECU used in connection with the common agricultural policy*

June 1987	
National currency	Value in national currency of one ECU
Belgian franc and Luxembourg franc	47.3310 <sup>1</sup> 46.8712 <sup>2</sup>
Danish krone	8.58163 <sup>1</sup> 8.54064 <sup>2</sup> 8.62351 <sup>3</sup>
German mark	2.41047 <sup>4</sup> 2.39792 <sup>5</sup> 2.38516 <sup>6</sup>
Greek drachma	130.674 <sup>7</sup> 117.078 <sup>3</sup> 116.673 <sup>6</sup>
Portuguese escudo	151.812 <sup>2</sup> 162.102 <sup>7</sup>
French franc	7.31248 <sup>4</sup> 7.58228 <sup>3</sup> 7.20771 <sup>8</sup> 7.20131 <sup>1</sup> 7.09967 <sup>2</sup> 7.54539 <sup>9,7</sup>
Dutch guilder	2.71620 <sup>4</sup> 2.70178 <sup>5</sup> 2.68749 <sup>6</sup>
Irish pound	0.817756 <sup>1</sup> 0.782478 <sup>2</sup> 0.821639 <sup>3</sup>
Italian lira	1 539.00 <sup>10</sup> 1 562.00 <sup>3</sup> 1 554.00 <sup>6</sup>
Spanish peseta	147.208 <sup>1</sup> 145.796 <sup>2</sup> 151.806 <sup>7</sup> 147.886 <sup>3</sup>
Pound sterling	0.656636 <sup>3</sup> 0.635626 <sup>1</sup> 0.626994 <sup>2</sup> 0.668197 <sup>9</sup> 0.652575 <sup>7</sup>

<sup>1</sup> For livestock products.

<sup>2</sup> For crop products.

<sup>3</sup> For pigmeat.

<sup>4</sup> For milk and milk products.

<sup>5</sup> For cereals.

<sup>6</sup> For other products

<sup>7</sup> For sheepmeat and goatmeat.

<sup>8</sup> For wine

<sup>9</sup> For beef/veal.

<sup>10</sup> For cereals and oilseeds.

## 2. Additional references in the Official Journal

3.2.1. This section lists the titles of legal instruments and notices of Community institutions or organs which have appeared in the Official Journal since the last Bulletin was published but relating to items appearing in earlier issues of the Bulletin; the references were not available when the Bulletin went to press.

The number of the Bulletin and the point to which this additional information refers is followed by the title shown on the cover of the Official Journal, the number of the issue and the date of publication.

### **Bull. EC 1-1987**

#### *Point 2.1.45*

Commission Decision of 14 January 1987 on an FIM (Industrial Modernization Fund) loan to a brewery

OJ L 152, 12.6.1987

#### *Point 2.2.34*

Council Regulation (EEC) No 1930/87 of 19 January 1987 on the conclusion of Agreements in the form of an exchange of letters between the European Economic Community and, on the one hand, Barbados, Belize, the People's Republic of the Congo, Fiji, the Cooperative Republic of Guyana, the Republic of the Ivory Coast, Jamaica, the Republic of Kenya, the Democratic Republic of Madagascar, the Republic of Malawi, Mauritius, St Christopher and Nevis, the Republic of Suriname, the Kingdom of Swaziland, the United Republic of Tanzania, the Republic of Trinidad and Tobago, the Republic of Uganda and the Republic of Zimbabwe and, on the other hand, the Republic of India on the guaranteed prices for cane sugar for the 1986/87 delivery period

OJ L 185, 4.7.1987

### **Bull. EC 3-1987**

#### *Point 2.1.177*

Council Directive of 2 March 1987 amending Directive 77/93/EEC on protective measures against the introduction into the Member States of organisms harmful to plants or plant products

OJ L 151, 11.6.1987

### **Bull. EC 6-1987**

### **Bull. EC 4-1987**

#### *Point 2.1.65*

Proposal for a Council Directive coordinating regulations on insider trading

OJ C 153, 11.6.1987

#### *Point 2.1.74*

Commission Decision of 29 April 1987 on the guidelines for the management of the European Social Fund in the financial years 1988 to 1990

OJ L 167, 26.6.1987

#### *Point 2.1.148*

Proposal for a Council Decision on a Community system of rapid exchange of information in cases of abnormal levels of radioactivity or of a nuclear accident

OJ C 160, 18.6.1987

#### *Points 2.4.39 to 2.4.48*

Opinions adopted by the Economic and Social Committee during its session on 14 April 1987

OJ C 150, 9.6.1987

### **Bull. EC 5-1987**

#### *Point 2.1.17*

Council conclusions of 15 May 1987 on improvement in the use of proprietary medicinal products by consumers

OJ C 178, 7.7.1987

#### *Point 2.1.22*

Resolution of 25 May 1987 on the Conventions of Accession to the 1968 Brussels Convention on Enforcement and the negotiations for a parallel Convention

OJ C 175, 3.7.1987

#### *Point 2.1.112*

Council conclusions of 26 May 1987 on vocational training for women

OJ C 178, 7.7.1987

*Point 2.1.113*

Council conclusions of 26 May 1987 on protective legislation for women in the Member States of the European Community

OJ C 178, 7.7.1987

*Point 2.1.119*

Conclusions of the Council and of the Representatives of the Governments of the Member States

meeting within the Council, of 15 May 1987 concerning AIDS

OJ C 178, 7.7.1987

*Point 2.1.208*

Proposal for a Council Regulation laying down maximum permitted radioactivity levels for foodstuffs, feedingstuffs and drinking water in the case of abnormal levels of radioactivity or of a nuclear accident

OJ C 174, 2.7.1987

## 3. Infringement procedures

### Initiation of proceedings for failure to implement directives

3.3.1. In June the Commission sent letters of formal notice for failure to incorporate directives into national law (the Commission not having been informed of national implementing measures) in the following cases:

#### Internal market and industrial affairs

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to seamless, unalloyed aluminium and aluminium alloy gas cylinders<sup>1</sup> (Luxembourg).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to welded unalloyed steel gas cylinders<sup>1</sup> (Luxembourg).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to common provisions for lifting and mechanical handling appliances<sup>1</sup> (Ireland).

#### Agriculture

Council Directive of 14 June 1966 on the marketing of forest reproductive material<sup>2</sup> (Greece).

Council Directive of 23 January 1968 on the approximation of the laws of the Member States concerning the classification of wood in the rough<sup>3</sup> (Greece).

Council Directive of 9 April 1968 on the marketing of material for the vegetative propagation of the vine<sup>4</sup> (Greece).

Council Directive of 22 March 1971<sup>5</sup> amending the Directive of 9 April 1968 on the marketing of material for the vegetative propagation of the vine<sup>4</sup> (Greece).

Council Directive of 30 March 1971 on external quality standards for forest reproductive material marketed within the Community<sup>6</sup> (Greece).

Commission Directive of 14 April 1972 on determining the characteristics and minimum conditions for inspecting vine varieties<sup>7</sup> (Greece).

Commission Directive of 4 December 1973<sup>8</sup> amending Annex 3 to the Council Directive of 30 March 1971 on external quality standards for forest reproductive material marketed within the Community<sup>6</sup> (Greece).

Council Directive of 9 December 1974 on the marketing of material for the vegetative propagation of the vine produced in third countries<sup>9</sup> (Greece).

First Commission Directive of 28 September 1977<sup>10</sup> amending the Annexes to the Council Directive of 9 April 1968 on the marketing of material for the vegetative propagation of the vine (Greece).

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<sup>1</sup> OJ L 300, 19.11.1984.

<sup>2</sup> OJ 125, 11.7.1966.

<sup>3</sup> OJ L 32, 6.2.1968.

<sup>4</sup> OJ L 93 18.4.1968.

<sup>5</sup> OJ L 71, 25.3.1971.

<sup>6</sup> OJ L 87, 17.4.1971.

<sup>7</sup> OJ L 103, 2.5.1972.

<sup>8</sup> OJ L 15, 18.1.1974.

<sup>9</sup> OJ L 352, 12.12.1974.

<sup>10</sup> OJ L 257, 8.10.1977.



Council Directive of 25 July 1978<sup>1</sup> amending the Council Directives of 14 June 1966,<sup>2</sup> 9 April 1968,<sup>3</sup> 30 June 1969<sup>4</sup> and 28 September 1970<sup>5</sup> on the marketing of beet seed, fodder plant seed, cereal seed, seed potatoes, material for the vegetative propagation of the vine, seed of oil and fibre plants and vegetable seed (Greece).

### Transport

Council Directive of 26 May 1986<sup>6</sup> amending, on account of the accession of Portugal, the Council Directive of 25 July 1983 concerning the authorization of scheduled inter-regional air services for the transport of passengers, mail and cargo between Member States<sup>7</sup> (Denmark, France, Greece, Ireland, Luxembourg, Netherlands, United Kingdom).

### Reasoned opinions

3.3.2. The Commission delivered reasoned opinions for failure to incorporate directives into national law (the Commission not having been informed of national implementing measures) in the following cases:

### Environment and consumer protection

Council Directive of 20 March 1985 on the approximation of the laws of the Member States

concerning the lead content of petrol<sup>8</sup> (Netherlands).

Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste<sup>9</sup> (Denmark).

3.3.3. The Commission also delivered reasoned opinions for failure to incorporate correctly the following directives into national law:

### Internal market and industrial affairs

Council Directive of 29 June 1982 on measures to facilitate the effective exercise of freedom of establishment and freedom to provide services in respect of activities of self-employed persons in certain services incidental to transport and travel agencies (ISIC Group 718) and in storage and warehousing (ISIC Group 720)<sup>10</sup> (Greece).

Council Directive of 20 October 1980 on the approximation of the laws of the Member States relating to the protection of employees in the event of the insolvency of their employer<sup>11</sup> (Greece).

<sup>1</sup> OJ L 236, 26.8.1978.

<sup>2</sup> OJ L 125, 11.7.1966.

<sup>3</sup> OJ L 93, 18.4.1968.

<sup>4</sup> OJ L 169, 10.7.1969.

<sup>5</sup> OJ L 225, 12.10.1970.

<sup>6</sup> OJ L 152, 6.6.1986.

<sup>7</sup> OJ L 237, 26.8.1983.

<sup>8</sup> OJ L 96, 3.4.1985.

<sup>9</sup> OJ L 326, 13.12.1984.

<sup>10</sup> OJ L 213, 21.7.1982.

<sup>11</sup> OJ L 283, 20.10.1980.

## 4. Belgium's six months as Council President

### Extracts from the report by Mr Tindemans, President of the Council, to the European Parliament

*Strasbourg, 16 June 1987*

3.4.1. 'Conditions have been difficult during Belgium's tenure of the Presidency on this occasion. I think it will be useful to outline the general context in which we have had to conduct the Council's proceedings during these six months, so that the scale of the effort made can be assessed in a true light. First, the unexpected delay to the entry into force of the Single Act seriously dis-

rupted the scheduling of legislative activity. Consequently, any results we had been looking for on the internal market still had to be achieved, for the most part, by unanimous votes. It will now fall to our successors in the Presidency to demonstrate how effective the new rules are for putting the White Paper into practice. Nevertheless, despite these contingencies, we shall have cleared the ground to the extent possible and created the conditions for the development of fresh momentum.

Despite this delay and the disappointment that some may have felt at the postponement, month after month, of the date of the Single Act's entry into force, we have not relaxed in our efforts to create the best possible conditions for the start-up

when it comes. There have been several fruitful discussions on this subject among the Presidents of the three institutions. During one of these, agreement was reached on a number of practical arrangements for setting up the procedure for cooperation with Parliament.

The progress of Council's work during our Presidency has been disturbed by a second factor: the incidence of elections in over half the Member States. Each of these elections was cited, at one time or another, as grounds for being unable to clear a reservation or putting off a decision. The convergence of these election dates over such a short period was paralysing in its effect. Come the day when the construction of Europe takes pride of place in the concerns of European citizens, impending elections will doubtless act as a stimulus to the Community zeal of Member States' governments. But not yet. The construction of Europe sometimes entails economic, social or financial sacrifices in the short term. But when are we all going to find the words with which to get this message across? The European Parliament is tireless in its dedication to this task of persuasion. That is very much to its credit.

Finally, a third factor has re-emerged, after only two years' respite, to complicate the work of the Community yet again: the exhaustion of available own resources. For all the warnings sounded by the Commission, starting back in 1986, the Member States have refused to face the facts, and some are still doing so. The 1.4% VAT ceiling was already inadequate by the time it became operative. Now the same goes for the 1.6% ceiling.

The Council's 'schizophrenia' as Mr Delors calls it, referring to the Council's refusal to accept the financial consequences of its political decisions, has prompted the Commission to adopt a very cautious approach to the matter of increasing own resources, supporting its case with arguments of inescapable logic. The Belgian Presidency, convinced of the validity of this approach, has done everything possible to preserve the full coherence of the package proposed. While we waited for the strength of the arguments to be appreciated by all, the Council's discussions on decisions with financial implications were more difficult than ever. The Belgian Presidency inherited a legacy of dossiers whose progress through the Council had been blocked by certain Member States' refusal to agree to the minimum level of funding needed to give them credibility. We have managed, with great difficulty, to secure the adoption of the financial protocols with the Mediterranean countries, the compensation system for the least developed countries' export revenues, and above all the Erasmus programme in the field of education, which was making so little progress in the Council in December 1986 that the Commission withdrew its

proposal. I am aware of the importance you have always attached to this programme, and the Presidency is proud to have helped get it under way.

The Belgian Presidency inherited another dossier on which it was going to be difficult to get a successful outcome in 1987's financial context: the framework programme for research, with the financial envelope for the whole of the Community's research activities for five years. Getting a Council decision on a level of funding below what was necessary would have put the programmes already under way in jeopardy and compromised the balance of projects. The Presidency accordingly stuck to a figure that it considered credible and won over 11 delegations, but the 12th has still not given its agreement, thereby blocking all Community activity in this area.

Other dossiers remain blocked by budgetary inhibitions and will have to be globalized in the overall package of medium-term funding. The main ones are economic and social cohesion, part of the socio-structural measures and income support for farmers, and the social measures to accompany change in the coal and steel sectors.

The exhaustion of own resources is admittedly not the only factor accounting for the difficulty of getting the Council to adopt proposals from the Commission which have major budgetary implications. All the Member States have been grappling with budgetary difficulties these past few years. Even so, what holds good for the States does not necessarily hold good for a Community which has just been enlarged, is still very much in a development phase, and is destined, by 1992, to assume a role of a wholly new order in the area of economic policy.

One of the Presidency's chief responsibilities during these six months has been to ensure that the Council examined the full range of the Commission's proposals aimed at making a success of the Single Act.

Conscious of how much was at stake, the Presidency has undertaken a very thorough examination of the Commission's proposals. The Permanent Representatives Committee has discussed them every week. They were considered by the General Affairs Council in April and May, and will be brought before it again next week. It has been one of our primary concerns to keep an overall view of the Commission's proposals before Council in its deliberations. The debate so far, both in the Council and in the European Parliament, has indeed reflected the coherence of the Commission's reasoning and the difficulty of treating one or other aspect in isolation from the rest.

The timetabling of our work has been geared to the European Council on 29 and 30 June. This

meeting is unlikely to be able to reach detailed decisions on all the topics under discussion. The problems are very closely interrelated, as I have said, and it is hard to visualize any partial solution. The Presidency's objective is rather to clear a number of bottlenecks and define the clearest possible guidelines, so as to give the negotiations the momentum they need in order to make rapid progress over the months ahead. Before sitting down to work, the European Council will be receiving the President of the European Parliament, who will thus have an opportunity to present the results of the work done by Parliament's special committee and the opinion delivered by Parliament at the May part-session.

The Presidency's concern during the discussions will be to keep the overall medium-term perspective of the Commission's proposals in focus. However, it cannot be ruled out that the European Council will be called upon to address problems which, even though of a shorter-term nature, are no less crucial to the functioning of the Community. These problems will need to be dealt with in a manner consistent with the lines to be adopted on the Commission's proposals, thus underlining the correctness of the overall approach. As you know, the Presidency managed last February to secure the passage of the 1987 budget, following the failure to complete the procedure in December last year, in the absence of agreement between the Council and Parliament.

Since then we have also been faced with the threat of a deficit, which has become a certainty with the passage of time. In May the Commission submitted to the Council a preliminary draft supplementary and amending budget for 1987 and, in order to cover the deficit on farm spending, a proposal for a regulation to replace the EAGGF Guarantee Section advances with a system of reimbursements.

The Belgian Presidency has been unstinting in its efforts to push on as far as possible with the examination of this preliminary draft budget. Early this month it held a meeting of the Budget Council, which was unable to assemble an adequate basis for solving the problems. In the light of developments in the situation, it will assess whether it would be justified to hold a further meeting before the end of this month. Reform of the agricultural policy, the first and still the most important of our common policies, is one of the main preoccupations of the Community at the moment. A large number of important decisions have already been taken during these six months. Yet others are even now under consideration by the Council in the context of the pricing package.

In the early part of the year the Council concerned itself with implementation of the December 1986 political agreement on reforming market organ-

ization in two sectors: beef and veal, and milk and milk products. This led to the adoption of measures, the main aims of which are to reduce production and limit the scale of intervention by the Community. ...

Never before has a Presidency come to an end with so much pressure on the European Council. The feeling seems to be that all the problems can be left to the meeting on 29 and 30 June. This shows that the European Economic Community has to some extent lost its bearings and that the fundamental intentions of the Treaty of Rome are increasingly in danger. Until the Single European Act has been ratified by all 12 Member States, the Treaty will not in fact make provision for the European Council. The present situation means that the organs of the Community are not doing their duty but leaving the decisions to the European Council. ...

Jacques Delors had called the Commission's proposals 'le rendez-vous de la Communauté avec elle-même'.

It would be tragic if the Community were to miss this rendezvous. We can in fact already tell what will happen if the Community does not have sufficient resources to perform its tasks, if the common agricultural policy is not reformed and if the Community's economic and social cohesion is not strengthened now that we want to complete the internal market. It would mean not only that any progress would be blocked but also that the disintegration of the Community had begun.

I have recently said on a number of occasions that Europe is navigating without a compass. More than even before we have the impression that we do not know what we want and that we are no longer obeying any set rules for keeping our Community afloat. At the end of the Belgian Presidency, but before the outcome of the European Council's meeting on 29 and 30 June is known, my conclusion is this: things are not well with Europe, the Single European Act was a fresh, positive deed, not a great leap forward as many had expected, but a step in the right direction. As we worked on its formulation and linked this operation with the Delors package, we were strengthened by a new feeling of confidence.

Our task until 1992 was carefully charted. Then we would think again. Unfortunately, the Council's failure to take good decisions and the danger that the European Council will not be able to play its own, original role make it necessary for us to give expression to our concern. That is all I have to say today about the Belgian Presidency.

I none the less hope that, when Prime Minister Martens reports here on the European Council's meeting, he will have some good news.'

## 5. Relations with Latin America

### Conclusions adopted by the Council and the Representatives of the Governments of the Member States on 22 June

3.5.1. 'With reference to the conclusions of the European Council in The Hague on 26 and 27 June 1986 and in accordance with the objectives set out in the joint declaration of intent annexed to the Treaty of Accession of Spain and Portugal, the Council and the Representatives of the Governments of the Member States of the Community reaffirm the particular importance which, for historical, political, economic and cultural reasons, they attach to the strengthening and development of relations between the European Community and Latin America.

The history of relations between the peoples of Europe and Latin America is founded on common values and interests, and demonstrates a common aspiration towards a conception of society based on respect for human rights and leading to a similar view of the political and economic order. This common background justifies a substantial strengthening of ties between the two worlds. It therefore follows that the European Community and Latin America have an active joint role to play in building the international society of the future.

The Community and its Member States believe that this is a particularly appropriate time to intensify all aspects of relations with the Latin American countries, in view of a number of promising developments which could bring the two regions closer together, in particular the return to democratic government and the setting up of regional integration areas. Moreover, it is in the interests of both parties that Latin America should overcome the serious economic problems facing it in the present state of the international economic environment, and bearing in mind the constraints related to the burden of its foreign debt.

The European Community therefore considers that, while bearing in mind its own constraints, it is necessary to implement a consistent overall strategy for strengthening relations and cooperation between the Community and its Member States on the one hand and Latin America and its States and regions on the other, a strategy which takes account of the diversity of situations and requirements in the various parts of Latin America. Such a strengthening must be accompanied by improved presentation and would be favoured by increased coordination of the already considerable resources which are deployed bilaterally by Member States. Drawing attention to the Community's presence in the region requires *inter alia* improved presentation of its action and its policies, particu-

larly thanks to greater cooperation between Member States' diplomatic representations and the Commission.

Moreover, the Community and the Member States will give support to any effort to increase European public awareness of matters relating to Latin America, the latter's links with the countries of the Community and the prospects for effective and mutually advantageous cooperation.

The Community and its Member States agree that it is in the common interest to support the efforts of the countries of Latin America which are pursuing rigorous economic adjustment policies with the aim of re-establishing economic growth and financial stability.

To promote better understanding of each other's point of view, the Community and its Member States would make clear that they are willing to intensify cooperation and consultation on economic and commercial matters modelled on the exercise conducted successfully at the Punta del Este Conference. Using whatever opportunities arise and in compliance with the role and prerogatives of the relevant multilateral institutions, informal consultations could be arranged.

The aim of such consultations would be to promote better understanding of each other's point of view and, within the relevant multilateral institutions, further the „sustained growth” advocated by the IMF and the World Bank at their meeting in Seoul.

The 12 Member States of the Community agree that increased cooperation and consultation on economic and commercial matters should be accompanied by the stepping up of political relations.

The Twelve will, by their actions, continue to support the establishment of democracy in all Latin American countries and endeavour to strengthen democratic governments in the region.

They are following with special interest the attempts of certain Latin American countries to set up political cooperation bodies (for example, the Rio Group) with a view to giving positive consideration to any possibilities there may be for contacts between the Twelve and such representative groups.

They will actively encourage contacts between the Latin American Parliaments on the one hand and the European Parliament and the national Parliaments of the Twelve on the other. When the time comes they will support, in both practical and political terms, the creation of a Central American Parliament and of any other regional parliament.

The Twelve stress that intensified relations between the two regions must be supported both by individual contacts between countries and within the appropriate international bodies.

With a view to strengthening relations and cooperation with Latin America, the Community and its Member States agree on the following guidelines:

(i) Official development assistance (ODA) granted by the Community will be continued, improved and concentrated in particular on the less developed countries of Latin America. It will be focused especially on rural development and on ensuring greater food security. Efforts will be made to improve the effectiveness of assistance notably by means of improved coordination with other sources of financing, in particular the Member States, international financial institutions and other sources of official assistance.

(ii) Efforts to achieve regional integration will be actively supported and encouraged. The Community is ready to give Latin America the benefit of its own experience in certain specific areas by means of schemes such as support and funding for projects and programmes with a regional impact, the implementation according to appropriate procedures of cumulative origin rules and harmonized systems of industrial standards, cooperation on new technology, and the setting up and operation of regional bodies.

(iii) In the area of trade, the Community's objective is to promote the development of reciprocal trade. From this point of view, the Community attaches great importance to the new multilateral negotiations launched by the Punta del Este Conference in 1986 and to the undertakings entered into on that occasion. It will endeavour in this context to take account of the export interests of the countries of Latin America.

At the same time, the Community will continue its efforts to ensure stable, and if possible broader, access to the Community market, in particular through more effective use of the generalized system of preferences and a policy in support of the structural diversification of production and exports, based on the whole range of cooperation instruments available, notably trade promotion.

(iv) Special emphasis will be placed on industrial cooperation in the broad sense. It will be for the Latin American countries to create to that end a more favourable environment for attracting European investment. Cooperation between businessmen in the two regions, particularly in the form of joint ventures, will be encouraged. To that end, and in addition to the Member States' individual initiatives, the Community will make efforts to identify areas of mutual interest, to arrange contacts between potential partners, and

to develop back-up schemes for joint ventures, in particular in trade promotion, training and information. These schemes will also be developed on the spot, in particular in cooperation with public and private organizations which are active in the sector, such as chambers of commerce.

The development and strengthening of scientific and technical cooperation involving a more ambitious approach to training and the development of joint research projects in areas of mutual interest will also help promote joint ventures. In this context energy cooperation will be developed and stepped up, enabling the benefit of Community experience in energy efficiency and new and renewable energy sources to be passed on.

(v) Under the heading of technical cooperation, special attention will be paid to the training of administrators and technicians in order to encourage the proper management both of national and regional administrations and of undertakings.

(vi) In view of the new dimension that the accession of Spain and Portugal has conferred on relations with Latin America, the Community and its Member States will also lay particular emphasis on the expansion of their activities in the field of information and communication, due account being taken of the cultural dimension of relations between the two regions.

(vii) The possibility of implementing a cooperation programme on combating drug trafficking will be explored with certain Latin American countries.

(viii) The objective of giving a new impetus to the flow of export credits will be given consideration in the course of exchanges of views between the Member States on their risk-taking policies *vis-à-vis* the various Latin American countries, taking into account the progress made in their adjustment policies.

The prospect of intensified relations will lead to consideration of a gradual strengthening of Commission representation in Latin America on an appropriate regional basis.

The Council requests the Commission, taking account of these guidelines, to continue its work on the strengthening of relations between the Community and Latin America and to submit appropriate concrete proposals to it accordingly.

The Representatives of the Governments of the Member States, for their part, agree to take the appropriate steps to implement the guidelines falling within the competence of the Member States.

The Council agrees to assess the implementation of these guidelines periodically with a view to establishing the appropriate conclusions in the light of the objectives sought.'

# 6. Industrial cooperation with certain developing countries in Latin America, Asia, the Gulf and the Mediterranean

## Conclusions adopted by the Council on 22 June

3.6.1. 'The Council considers that industrial cooperation between firms in Europe and local firms is a process particularly suited to the situation and the problems of certain countries, which are often at an intermediate stage of development, in Latin America, Asia, the Gulf and the Mediterranean. This type of cooperation makes it possible, in particular, to reinforce the role of the private sector and to encourage the development of an entrepreneurial class in these countries, enhancing adjustment possibilities, increasing the efficiency of their economies, improving the prospects for growth and for solutions to debt problems. Industrial cooperation thus contributes to development while at the same time furthering the interests of European enterprises involved.

The Council recognizes that enterprises themselves are the principal instrument for such cooperation, which essentially involves their own responsibility. On the side of the industrialized countries, the role of the public authorities is limited: it consists mainly of improving the general framework within which decisions concerning investment and industrial cooperation are taken or, in certain specific cases, stimulating the flow of private capital by improved use of existing financial instruments. On their side, the authorities of the developing countries have the fundamental responsibility for creating an environment favourable to external investment.

Member States, the Community and certain international institutions (such as the World Bank, notably through the International Finance Corporation, and perhaps in the future, the Multilateral Investment Guarantee Agency) possess a fairly wide range of instruments for encouraging industrial cooperation. The Council considers that the Community should continue the activities it has initiated in this area, and should supplement, where necessary, the activities of Member States and international institutions. The Community's involvement should be complementary and should not lead to a duplication of effort. It should be addressed to medium and even to small enterprises, given that large enterprises are more self-reliant and that in any event they are likely to benefit from the majority of the actions envisaged.

The Council invites the Commission to explore the possibilities for specific pragmatic actions in the field of industrial cooperation with those countries concerned which desire such cooperation, in particular in the form of joint ventures between European enterprises and enterprises from those countries. These actions should take into account the diversity of the countries concerned and the Community's special role in encouraging regional integration among developing countries and could, in particular, be developed in the following fields:

*Industrial standards.* This involves, in particular, assistance to the developing countries in adopting internationally recognized standards so as to promote regional integration and their export capacity.

*Financial and technical cooperation.* This entails, where appropriate, improved use of the financial instruments available to the Community, in order to encourage investment in those countries concerned which so desire.

*Information on investment opportunities.* This could be improved, for example, by means of data banks and the establishment of joint investment committees in developing-country business centres to improve contacts between the representatives of business circles and public authorities so as to identify problems linked to the climate and legal environment for investments.

*Scientific and technical cooperation.* This can pave the way for opportunities for industrial cooperation.

*Training and economic information.* This involves improving information (data banks) on training opportunities in Europe for developing-country supervisory and managerial staff, setting up specific training programmes for developing-country managers and officials working in areas linked to foreign investment, and strengthening training provided locally by European instructors in the developing countries.

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The Council invites the Commission to report back to it on the options it has explored and, if

necessary, submit specific proposals in this area, which it will evaluate case by case having regard

to their individual merits and their complementarity with other measures undertaken.'

## 7. Western Economic Summit

*Venice, 8 to 10 June 1987*

### Declaration and statements

#### Economic Declaration

##### Introduction

3.7.1. 'We, the Heads of State or Government of the seven major industrialized countries and the representatives of the European Community, have met in Venice from 8 to 10 June 1987, to review the progress that our countries have made, individually and collectively, in carrying out the policies to which we committed ourselves at earlier Summits. We remain determined to pursue these policies for growth, stability, employment, and prosperity for our own countries and for the world economy.

3.7.2. We can look back on a number of positive developments since we met a year ago. Growth is continuing into its fifth consecutive year, albeit at lower rates. Average inflation rates have come down. Interest rates have generally declined. Changes have occurred in relationships among leading currencies which over time will contribute to a more sustainable pattern of current account positions and have brought exchange rates within ranges broadly consistent with economic fundamentals. In volume terms the adjustment of trade flows is under way, although in nominal terms imbalances so far remain too large.

##### Macroeconomic policies and exchange rates

3.7.3. Since Tokyo, the Summit countries have intensified their economic policy coordination with a view to ensuring internal consistency of domestic policies and their international compatibility. This is essential to achieving stronger and sustained global growth, reduced external imbalances and more stable exchange rate relationships.

Given the policy agreements reached at the Louvre and in Washington, further substantial shifts in exchange rates could prove counterproductive to efforts to increase growth and facilitate adjustment. We reaffirm our commitment to the swift and full implementation of those agreements.

3.7.4. We now need to overcome the problems that nevertheless remain in some of our countries: external imbalances that are still large; persistently high unemployment; large public sector deficits; and high levels of real interest rates. There are also continuing trade restrictions and increased protectionist pressures, persistent weakness of many primary commodity markets, and reduced prospects for developing countries to grow, find the markets they need and service their foreign debt.

3.7.5. The correction of external imbalances will be a long and difficult process. Exchange rate changes alone will not solve the problem of correcting these imbalances while sustaining growth. Surplus countries will design their policies to strengthen domestic demand and reduce external surpluses while maintaining price stability. Deficit countries, while following policies designed to encourage steady low-inflation growth, will reduce their fiscal and external imbalances.

3.7.6. We call on other industrial countries to participate in the effort to sustain economic activity worldwide. We also call on newly industrialized economies with rapid growth and large external surpluses to assume greater responsibility for preserving an open world trading system by reducing trade barriers and pursuing policies that allow their currencies more fully to reflect underlying fundamentals.

3.7.7. Among the Summit countries, budgetary discipline remains an important medium-term objective and the reduction of existing public sector imbalances a necessity for a number of them. Those Summit countries which have made significant progress in fiscal consolidation and have large

external surpluses remain committed to following fiscal and monetary policies designed to strengthen domestic growth, within a framework of medium-term fiscal objectives. Monetary policy should also support non-inflationary growth and foster stability of exchange rates. In view of the outlook for low inflation in many countries, a further market-led decline of interest rates would be helpful.

### Structural policies

3.7.8. We also agree on the need for effective structural policies especially for creating jobs. To this end we shall:

- (i) promote competition in order to speed up industrial adjustment;
- (ii) reduce major imbalances between agricultural supply and demand;
- (iii) facilitate job-creating investment;
- (iv) improve the functioning of labour markets;
- (v) promote the further opening of internal markets;
- (vi) encourage the elimination of capital market imperfections and restrictions and the improvement of the functioning of international financial markets.

### Multilateral surveillance and policy coordination

3.7.9. We warmly welcome the progress achieved by the Group-of-Seven Finance Ministers in developing and implementing strengthened arrangements for multilateral surveillance and economic coordination as called for in Tokyo last year. The new process of coordination, involving the use of economic indicators, will enhance efforts to achieve more consistent and mutually compatible policies by our countries.

3.7.10. The Heads of State or Government reaffirm the important policy commitments and undertakings adopted at the Louvre and Washington meetings of the Group of Seven, including those relating to exchange rates. They agree that, if in the future world economic growth is insufficient, additional actions will be required to achieve their common objectives. Accordingly, they call on their Finance Ministers to develop, if necessary, additional appropriate policy measures for this purpose and to continue to cooperate closely to foster stability of exchange rates.

3.7.11. The coordination of economic policies is an ongoing process which will evolve and become more effective over time. The Heads of State or Government endorse the understandings reached by the Group-of-Seven Finance Ministers to

strengthen, with the assistance of the International Monetary Fund (IMF), the surveillance of their economies using economic indicators including exchange rates, in particular by:

- (i) the commitment by each country to develop medium-term objectives and projections for its economy, and for the Group to develop objectives and projections, that are mutually consistent both individually and collectively; and
- (ii) the use of performance indicators to review and assess current economic trends and to determine whether there are significant deviations from an intended course that require consideration of remedial actions.

3.7.12. The Heads of State or Government consider these measures important steps towards promoting sustained non-inflationary global growth and greater currency stability. They call upon the Group-of-Seven Finance Ministers and Central Bank Governors to:

- (i) intensify their coordination efforts with a view to achieving prompt and effective implementation of the agreed policy undertakings and commitments;
- (ii) monitor economic developments closely in cooperation with the Managing Director of the IMF; and
- (iii) consider further improvements as appropriate to make the coordination process more effective.

### Trade

3.7.13. We note rising protectionist pressures with grave concern. The Uruguay Round can play an important role in maintaining and strengthening the multilateral trading system, and achieving increased liberalization of trade for the benefit of all countries. Recognizing the interrelationship among growth, trade and development, it is essential to improve the multilateral system based on the principles and rules of the General Agreement on Tariffs and Trade (GATT) and bring about a wider coverage of world trade under agreed, effective and enforceable multilateral discipline. Protectionist actions would be counterproductive, would increase the risk of further exchange rate instability and would exacerbate the problems of development and indebtedness.

3.7.14. We endorse fully the commitment to adopt appropriate measures in compliance with the principles of standstill and rollback which have been reaffirmed in the ministerial declaration on the Uruguay Round. It is important to establish in the GATT a multilateral framework of principles and rules for trade in services, trade-related invest-



ment measures and intellectual property rights. This extension of the multilateral trading system would also be beneficial to developing countries in fostering growth and enhancing trade, investment and technology transfers.

3.7.15. Basing ourselves on the ministerial declaration on the Uruguay Round and on the principles of the GATT, we call on all contracting parties to negotiate comprehensively, in good faith and with all due despatch, with a view to ensuring mutual advantage and increased benefits to all participants. Canada, Japan, the United States and the European Community will table a wide range of substantive proposals in Geneva over the coming months. Progress in the Uruguay Round will be kept under close political review. In this context the launching, the conduct and the implementation of the outcome of the negotiations should be treated as parts of a single undertaking; however, agreements reached at an early stage might be implemented on a provisional or definitive basis by agreement prior to the formal conclusion of the negotiations, and should be taken into account in assessing the overall balance of the negotiations.

3.7.16. A strong, credible, working GATT is essential to the well-being of all trading countries and is the best bulwark against mounting bilateral protectionist pressures. The functioning of the GATT should be improved through enhancing its role in maintaining an open multilateral system and its ability to manage disputes; and through ensuring better coordination between the GATT and the IMF and the World Bank. We consider that it would be useful to have, as appropriate, in the course of the negotiations, a meeting of the Trade Negotiating Committee at the ministerial level.

### **Agriculture**

3.7.17. At Tokyo we recognized the serious nature of the agricultural problem. We agreed that the structure of agricultural production needed to be adjusted in the light of world demand, and expressed our determination to give full support to the work of the OECD in this field. In doing so, we all recognized the importance of agriculture to the well-being of our rural communities. In the past year, we have actively pursued the approach outlined at Tokyo, and we take satisfaction from the agreement in the ministerial declaration adopted in Punta del Este on the objectives for the negotiations on agriculture in the Uruguay Round.

3.7.18. We reaffirm our commitment to the important agreement on agriculture set out in the OECD ministerial communiqué of 13 May 1987; in particular, the statement of the scope and

urgency of the problem which require that a concerted reform of agricultural policies be implemented in a balanced and flexible manner; the assessment of the grave implications, for developed and developing countries alike, of the growing imbalances in supply of and demand for the main agricultural products; the acknowledgment of shared responsibility for the problems as well as for their equitable, effective and durable resolution; the principles of reform and the action required. The long-term objective is to allow market signals to influence the orientation of agricultural production, by way of a progressive and concerted reduction of agricultural support, as well as by all other appropriate means, giving consideration to social and other concerns, such as food security, environmental protection and overall employment.

3.7.19. We underscore our commitment to work in concert to achieve the necessary adjustments of agricultural policies, both at home and through comprehensive negotiations in the Uruguay Round. In this as in other fields, we will table comprehensive proposals for negotiations in the coming months to be conducted in accordance with the mandate in the ministerial declaration, and we intend to review at our next meeting the progress achieved and the tasks that remain.

3.7.20. In the mean time, in order to create a climate of greater confidence which would enhance the prospect for rapid progress in the Uruguay Round as a whole and as a step towards the long-term result to be expected from those negotiations, we have agreed, and call upon other countries to agree, to refrain from actions which, by further stimulating production of agricultural commodities in surplus, increasing protection or destabilizing world markets, would worsen the negotiating climate and, more generally, damage trade relations.

### **Developing countries and debt**

3.7.21. We attach particular importance to fostering stable economic progress in developing countries, with all their diverse situations and needs. The problems of many heavily indebted developing countries are a cause of economic and political concern and can be a threat to political stability in countries with democratic regimes. We salute the courageous efforts of many of these countries to achieve economic growth and stability.

3.7.22. We underline the continuing importance of official development assistance and welcome the increased efforts of some of our countries in this respect. We recall the target already established by

international organizations (0.7%) for the future level of official development assistance and we take note that overall financial flows are important to development. We strongly support the activities of international financial institutions, including those regional development banks which foster policy reforms by borrowers and finance their programmes of structural adjustment. In particular:

(i) we support the central role of the IMF through its advice and financing and encourage closer cooperation between the IMF and the World Bank, especially in their structural adjustment lending;

(ii) we note with satisfaction the contribution made by the eighth replenishment of the International Development Association (IDA);

(iii) we support a general capital increase of the World Bank when justified by increased demand for quality lending, by its expanded role in the debt strategy and by the necessity to maintain the financial stability of the institution;

(iv) in the light of the different contributions of our countries to official development assistance, we welcome the recent initiative of the Japanese Government in bringing forward a new scheme which will increase the provision of resources from Japan to developing countries.

3.7.23. For the major middle-income debtors, we continue to support the present growth-oriented case-by-case strategy. Three elements are needed to strengthen the growth prospects of debtor countries: the adoption of comprehensive macro-economic and structural reform by debtor countries themselves; the enhancement of lending by international financial institutions, in particular the World Bank; and adequate commercial bank lending in support of debtor-country reforms. We shall play our part by helping to sustain growth and expand trade. A number of debt agreements have allowed some resumption of growth, correction of imbalances, and significant progress in restoring the creditworthiness of some countries. But some still lack adequate policies for structural adjustment and growth designed to encourage the efficient use of domestic savings, the repatriation of flight capital, increased flows of foreign direct investment, and in particular reforms of financial markets.

3.7.24. There is equally a need for timely and effective mobilization of lending by commercial banks. In this context, we support efforts by commercial banks and debtor countries to develop a "menu" of alternative negotiating procedures and financing techniques for providing continuing support to debtor countries.

3.7.25. Measures should be taken, particularly by debtor countries, to facilitate non-debt-creating

capital flows, especially direct investment. In this connection, the Multilateral Investment Guarantee Agency (MIGA) should begin to serve its objective as soon as possible. It is important to maintain flexibility on the part of export credit agencies in promptly resuming or increasing cover for countries that are implementing comprehensive adjustment programmes.

3.7.26. We recognize the problems of developing countries whose economies are solely or predominantly dependent on exports of primary commodities the prices of which are persistently depressed. It is important that the functioning of commodity markets should be improved, for example through better information and greater transparency. Further diversification of these economies should be encouraged, with the help of the international financial institutions, through policies to support their efforts for improved processing of their products, to expand opportunities through market access liberalization, and to strengthen the international environment for structural change.

3.7.27. We recognize that the problems of some of the poorest countries, primarily in sub-Saharan Africa, are uniquely difficult and need special treatment. These countries are characterized by such features as acute poverty, limited resources to invest in their own development, unmanageable debt burdens, heavy reliance on one or two commodities, and the fact that their debt is owed for the most part to governments of industrialized countries themselves or to international financial institutions. For those of the poorest countries that are undertaking adjustment effort, consideration should be given to the possibility of applying lower interest rates to their existing debt, and agreement should be reached, especially in the Paris Club, on longer repayment and grace periods to ease the debt service burden. We welcome the various proposals made in this area by some of us and also the proposal by the Managing Director of the IMF for a significant increase in the resources of the structural adjustment facility over the three years from 1 January 1988. We urge a conclusion on discussions on these proposals within this year.

3.7.28. We note that Unctad VII provides an opportunity for a discussion with developing countries with a view to arriving at a common perception of the major problems and policy issues in the world economy.

## Environment

3.7.29. Further to our previous commitment to preserve a healthy environment and to pass it on to future generations, we welcome the report by the environment experts on the improvement and

harmonization of techniques and practices of environmental measurement. Accordingly, we encourage the United Nations Environment Programme (UNEP) to institute a forum for information exchange and consultation in cooperation with the International Organization for Standardization (ISO) and the International Council of Scientific Unions (ICSU), assisted by other interested international organizations and countries, so that continuing progress in this important field can be ensured. The priority environmental problems identified by the environment experts in their report should receive full attention.

3.7.30. We underline our own responsibility to encourage efforts to tackle effectively environmental problems of worldwide impact such as stratospheric ozone depletion, climate change, acid rains, endangered species, hazardous substances, air and water pollution, and destruction of tropical forests. We also intend to examine further environmental issues such as stringent environmental standards as an incentive for innovation and for the development of clean, cost-effective and low-resource technology as well as promotion of international trade in low-pollution products, low-polluting industrial plants and other environmental protection technologies.

3.7.31. We welcome the important progress achieved since Tokyo, particularly in the International Atomic Energy Agency, in enhancing effective international cooperation, with regard to safety in the management of nuclear energy.

#### Other issues

3.7.32. We welcome the initiative of the human frontier science programme presented by Japan, which is aimed at promoting, through international cooperation, basic research on biological functions. We are grateful for the informal opportunities our scientists have had to take part in some of the discussions of the feasibility study undertaken by Japan. We note that this study will be continued and we would be pleased to be kept informed about its progress.

3.7.33. We welcome the positive contribution made by the Conference of High-Level Experts on the future role of education in our society, held in Kyoto in January 1987.

3.7.34. We shall continue to review the ethical implications of developments in the life sciences. Following the conferences sponsored by Summit governments — by Japan in 1984, by France in 1985, by the Federal Republic of Germany in 1986 and by Canada in 1987 — we welcome the Italian

Government's offer to host the next bioethics conference in Italy in April 1988.

#### Next economic Summit

3.7.35. We have agreed to meet again next year and have accepted the invitation of the Canadian Prime Minister to meet in Canada.'

#### Chairman's statement on AIDS

3.7.36. 'On the basis of the concern already shown in the past for health problems (London Chairman's oral statement on cancer and Bonn Chairman's oral statement on drugs), the Heads of State or Government and the representatives of the European Community affirm that AIDS is one of the biggest potential health problems in the world. National efforts need to be intensified and made more effective by international cooperation and concerted campaigns to prevent AIDS from spreading further, and will have to ensure that the measures taken are in accordance with the principles of human rights. In this connection, they agree that:

(i) international cooperation will not be improved by duplication of effort. Priority will have to be given to strengthening existing organizations by giving them full political support and by providing them with the necessary financial, personnel and administrative resources. The World Health Organization (WHO) is the best forum for drawing together international efforts on a worldwide level to combat AIDS, and all countries should be encouraged fully to cooperate with the WHO and support its special programme of AIDS-related activities;

(ii) in the absence of a vaccine or cure, the best hope for the combat and prevention of AIDS rests on a strategy based on educating the public about the seriousness of the AIDS epidemic, the ways the AIDS virus is transmitted and the practical steps each person can take to avoid acquiring or spreading it. Appropriate opportunities should be used for exchanging information about national education campaigns and domestic policies. The Heads of State or Government and the representatives of the European Community welcome the proposal by the United Kingdom Government to co-sponsor, with the WHO, an international conference at ministerial level on public education about AIDS;

(iii) further cooperation should be promoted for basic and clinical studies on prevention, treatment and the exchange of information (as in the case of the EC programme). The Heads of State or Government and the representatives of the European Community welcome and support joint

action by researchers in the seven countries (as in the case of the joint programme of French and American researchers, which is being enlarged, and similar programmes) and all over the world for the cure of the disease, clinical testing on components of the virus, and the development of a successful vaccine. The Heads of State or Government and the representatives of the European Community welcome the proposal by the President of the French Republic aiming at the creation of an international committee on the ethical issues raised by AIDS.'

### Statement on East-West relations

3.7.37 'We, the Heads of State or Government of seven major industrial nations and the representatives of the European Community, have discussed East-West relations. We reaffirm our shared principles and objectives, and our common dedication to preserving and strengthening peace.

We recognize with pride that our shared values of freedom, democracy and respect for human rights are the source of the dynamism and prosperity of our societies. We renew our commitment to the search for a freer, more democratic and more humane world.

Within existing alliances each of us is resolved to maintain a strong and credible defence which threatens the security of no one, protects freedom, deters aggression and maintains peace. We shall continue to consult closely on all matters affecting our common interest. We will not be separated from the principles that guide us all.

Since we last met, new opportunities have opened for progress in East-West relations. We are encouraged by these developments. They confirm the soundness of the policies we have each pursued in our determination to achieve a freer and safer world.

We are following with close interest recent developments in the internal and external policies of the Soviet Union. It is our hope that they will prove to be of great significance for the improvement of political, economic and security relations between the countries of East and West. At the same time, profound differences persist; each of us must remain vigilantly alert in responding to all aspects of Soviet policy.

We reaffirm our commitment to peace and increased security at lower levels of arms. We seek a comprehensive effort to lower tensions and to achieve verifiable arms reductions. While reaffirming the continuing importance of nuclear deterrence in preserving peace, we note with satisfaction that dialogue on arms control has intensi-

fied and that more favourable prospects have emerged for the reduction of nuclear forces. We appreciate US efforts to negotiate balanced, substantial and verifiable reductions in nuclear weapons. We emphasize our determination to enhance conventional stability at a lower level of forces and achieve the total elimination of chemical weapons. We believe that these goals should be actively pursued and translated into concrete agreements. We urge the Soviet Union to negotiate in a positive and constructive manner. An effective resolution of these issues is an essential requirement for real and enduring stability in the world.

We will be paying close attention not only to Soviet statements but also to Soviet actions on issues of common concern to us. In particular:

(i) We call for significant and lasting progress in human rights, which is essential to building trust between our societies. Much still remains to be done to meet the principles agreed and commitments undertaken in the Helsinki Final Act and confirmed since.

(ii) We look for an early and peaceful resolution of regional conflicts, and especially for a rapid and total withdrawal of Soviet forces from Afghanistan so that the people of Afghanistan may freely determine their own future.

(iii) We encourage greater contacts, freer interchange of ideas and more extensive dialogue between our people and the people of the Soviet Union and Eastern Europe.

Thus, we each seek to stabilize military competition between East and West at lower levels of arms; to encourage stable political solutions to regional conflicts; to secure lasting improvements in human rights; and to build contacts, confidence and trust between governments and peoples in a more humane world. Progress across the board is necessary to establish a durable foundation for stable and constructive relationships between the countries of East and West.'

### Statement on terrorism

3.7.38. 'We, the Heads of State or Government of seven major democracies and the representatives of the European Community assembled here in Venice, profoundly aware of our peoples' concern at the threat posed by terrorism,

reaffirm our commitment to the statements on terrorism made at previous Summits, in Bonn, Venice, Ottawa, London and Tokyo;

resolutely condemn all forms of terrorism, including aircraft hijackings and hostage-taking, and reiterate our belief that whatever its motives, terrorism has no justification;

confirm the commitment of each of us to the principle of making no concessions to terrorists or their sponsors;

remain resolved to apply, in respect of any State clearly involved in sponsoring or supporting international terrorism, effective measures within the framework of international law and in our own jurisdictions;

welcome the progress made in international cooperation against terrorism since we last met in Tokyo in May 1986, and in particular the initiative taken by France and Germany to convene in May in Paris a meeting of Ministers of nine countries who are responsible for counter-terrorism;

reaffirm our determination to combat terrorism both through national measures and through international cooperation among ourselves and with others, when appropriate, and therefore renew our appeal to all like-minded countries to consolidate and extend international cooperation in all appropriate forums;

will continue our efforts to improve the safety of travellers. We welcome improvements in airport and maritime security, and encourage the work of ICAO and IMO in this regard. Each of us will continue to monitor closely the activities of airlines which raise security problems. The Heads of State or Government have decided on measures, annexed to this statement, to make the 1978 Bonn declaration more effective in dealing with all forms of terrorism affecting civil aviation;

commit ourselves to support the rule of law in bringing terrorists to justice. Each of us pledges increased cooperation in the relevant forums and within the framework of domestic and international law on the investigation, apprehension and prosecution of terrorists. In particular we reaffirm the principle established by relevant international conventions of trying or extraditing, according to national laws and those international conventions, those who have perpetrated acts of terrorism.'

## Annex

The Heads of State or Government recall that in their Tokyo Statement on international terrorism they agreed to make the 1978 Bonn declaration

more effective in dealing with all forms of terrorism affecting civil aviation. To this end, in cases where a country refuses extradition or prosecution of those who have committed offences described in the Montreal Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation and/or does not return the aircraft involved, the Heads of State or Government are jointly resolved that their governments shall take immediate action to cease flights to that country as stated in the Bonn declaration.

At the same time, their governments will initiate action to halt incoming flights from that country or from any country by the airlines of the country concerned as stated in the Bonn declaration.

The Heads of State or Government intend also to extend the Bonn declaration in due time to cover any future relevant amendment to the above Convention or any other aviation conventions relating to the extradition or prosecution of the offenders.

The Heads of State or Government urge other governments to join them in this commitment.

## Personal contribution of the personal representatives for a draft on the Iraq-Iran war and freedom of navigation in the Gulf

3.7.39. 'We agree that new and concerted international efforts are urgently required to help bring the Iraq-Iran war to an end. We favour the earliest possible negotiated end to the war with the territorial integrity and independence of both Iraq and Iran intact. Both countries have suffered grievously from this long and tragic war. Neighbouring countries are threatened with the possible spread of the conflict. We call once more upon both parties to negotiate an immediate end of the war. We strongly support the mediation efforts of the United Nations Secretary-General and urge the adoption of just and effective measures by the UN Security Council. With these objectives in mind, we reaffirm that the principle of freedom of navigation in the Gulf is of paramount importance for us and for others and must be upheld. The free flow of oil and other traffic through the Strait of Hormuz must continue unimpeded.

We pledge to continue to consult on ways to pursue these important goals effectively.'



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