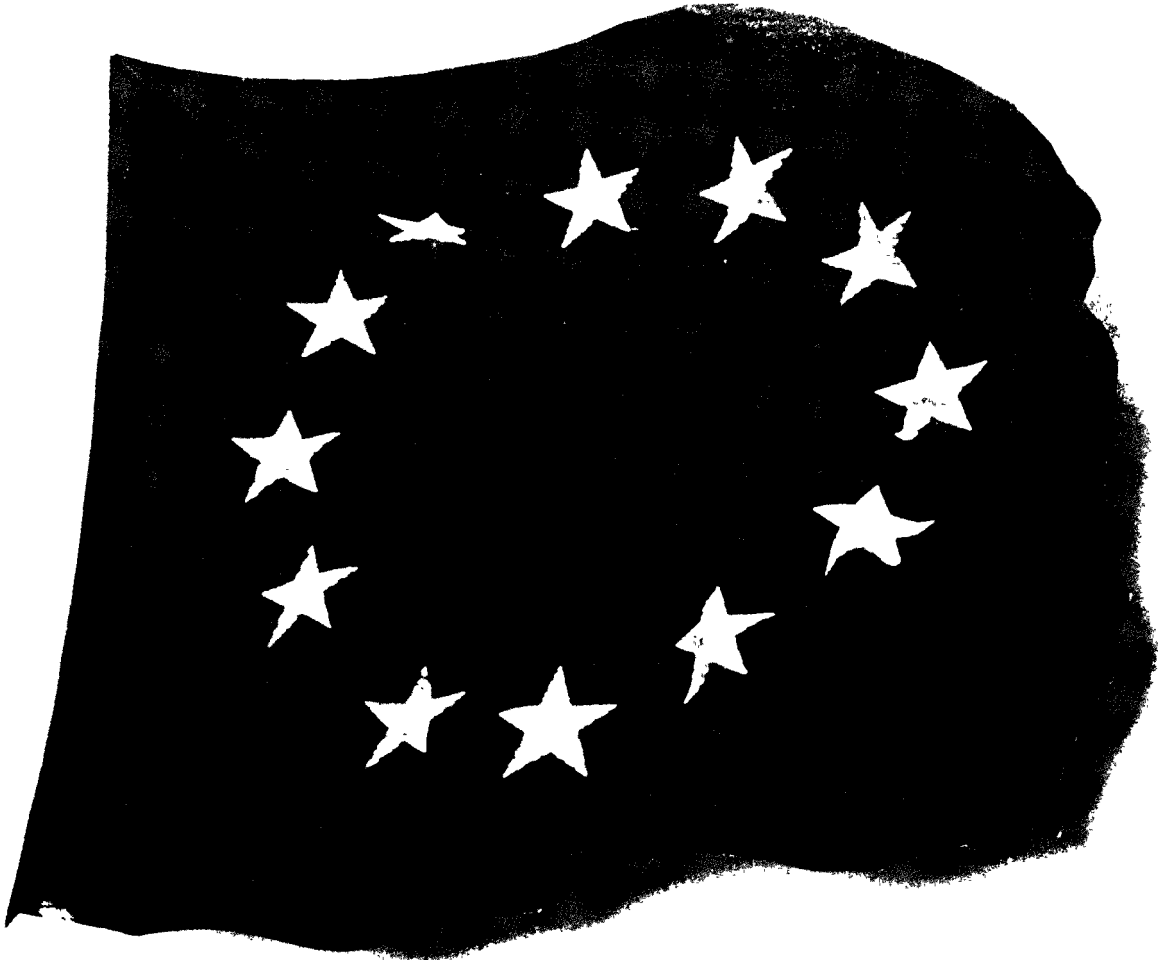


Bulletin of the European Communities

Commission



No 6 1988 Volume 21

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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

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Foreword

This month has been remarkable for the progress made on a broad Community front and for the number of decisions taken in the Community. Noteworthy items include:

(i) conclusion by the Hanover European Council that the process of completing the internal market has now reached the point where it is irreversible;

(ii) adoption of all the legislation resulting from the successful Brussels European Council in February 1988, including the Decision on own resources, the Decision on budget discipline and the framework Regulation on the reform of the structural Funds;

(iii) conclusion by Parliament, Council and Commission of the interinstitutional agreement governing the handling of budgetary issues up to 1992; this is a major step forward in relations between the institutions, the benefits of which will be apparent in the years ahead;

(iv) adoption of the strategic Directive on the liberalization of capital movements;

(v) approval of the strategic Directive on the mutual recognition of qualifications, a major contribution to freedom of movement and establishment within the Community;

(vi) publication of a Green Paper on copyright, attesting to the Commission's ability to take account of the rapid advance of new technology;

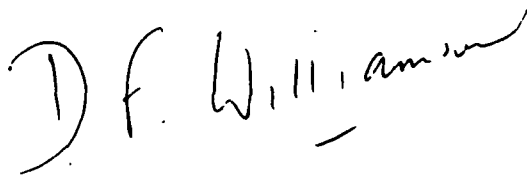
(vii) approval of the Directive on construction products, which applies in a major industry the new approach to standards;

(viii) agreement on the measures guaranteeing access to a single market for road transport by 1992;

(ix) approval of the Directive limiting emissions from large combustion plants;

(x) adoption of the measures needed to give effect to the international agreement on the protection of the ozone layer;

(xi) signature, after a long period of negotiation, of the Joint Declaration between the Community and the Council for Mutual Economic Assistance.



D. F. WILLIAMSON
Secretary-General
of the Commission

PART ONE

SPECIAL FEATURES

1. Hanover European Council¹

After Hanover, full steam ahead!

1.1.1. During three days in June, Hanover celebrated Europe. The festivities all over the old capital of the Electors, the Georges of the House of Hanover, showed in their way, on the fringe of the summit meeting, that the past had meaning in the present.

The merrymaking was a counterpoint to a certain jubilation at the summit itself. Seldom has a Presidency been on the receiving end of such unanimous congratulation. The active presence of the President of the European Parliament gave added weight to the occasion. Mr Delors' appointment as President of the Commission was formally renewed for a further two years. The general impression was of a major surge forward in Community affairs and of an important task still to be accomplished.

An auspicious term

1.1.2. What the Presidency had actually achieved was indeed something to cheer about. In terms of the White Paper on completing the internal market,² truly a chart for the Community, the progress made in six months is remarkable.

In four of the key areas of the large internal market major decisions have been taken, coinciding symbolically with the four great freedoms enshrined in the Treaty of Rome: free movement of persons, with the Directive on the mutual recognition of diplomas (→ point 1.3.1), free movement of goods, with the Directives on public supply contracts and transparency of prices of medicinal products (→ point 2.1.43), free movement of services, with the decision on the liberalization of road transport (→ point 1.4.1 *et seq.*), and free movement of capital, with the decision to liberalize capital movements in the Community (→ point 2.1.8).

So, by 30 June, three years after the adoption of the White Paper,² over a third of the essential decisions had been taken —

which goes to prove the efficacy of the new Community decision-making process and, in particular, of cooperation with Parliament.

Affirming the credibility of the single market

1.1.3. And in the eyes of the economic and social world the credibility of the Community venture has been immeasurably strengthened. The question is no longer whether 1992 is plausible, but how to prepare for it and what it will mean. This acceptance of the fact that there is no going back for Europe is surely also reflected in the interest shown by the EFTA countries in a closer association partnership (→ point 2.2.24).³ And it totally contributed as well to the recent conclusion of the agreement between the Community and the Council for Mutual Economic Assistance (→ point 1.5.1 *et seq.*). It was no doubt this irreversibility that the Commission President had in mind when he warned against the risk of euphoria.

A new political impetus

1.1.4. It is no accident that this same European Council has generated considerable political momentum on the social, monetary and environmental fronts. A dynamic market, but also a desire for stability and a commitment to social solidarity and to the fundamental natural balances: the European model of development is taking shape.

¹ The complete text of the conclusions of the Presidency adopted at the end of the European Council appears at point 3.4.1, covering implementation of the Single European Act (completion of the internal market; a people's Europe; the social dimension; protection of the environment; monetary union; Presidency of the Commission) and political cooperation (East-West relations; Afghanistan; the Middle East; South Africa; southern Africa; Latin America).

² Bull. EC 6-1985, point 1.3.1 *et seq.*

³ Bull. EC 2-1988, point 2.2.18.

2. Green Paper on copyright

1.2.1. On 14 June the Commission presented to the Council and Parliament a Green Paper entitled 'Copyright and the challenge of technology—Copyright issues requiring immediate action'.¹ A consultative document of this kind was promised by the Commission in its White Paper on completing the internal market.²

The document is intended primarily as a basis for extensive discussions with interested circles on a number of copyright questions including piracy, the home copying of sound and audiovisual works, distribution rights, computer software, data bases and the role played by the Community with regard to international aspects of intellectual property.

The Green Paper discusses the main problem areas from the point of view of the functioning of a frontier-free internal market² and explores possible solutions. It deals with a limited number of priority issues where differences between national laws might cause difficulties for the functioning of the internal market and where the existing copyright legislation is being called in question, mainly because of technological advances during the last decade. These call for adjustments to copyright legislation to the extent that the traditional barriers between literary, scientific, musical and artistic works are being broken down, in terms both of the products themselves and their exploitation and of the necessary legal framework for their protection.

Piracy

1.2.2. Copyright piracy has emerged as a serious problem for industry and for creative artists depending upon due respect of copyright for their living. The significance of piracy varies from sector to sector and with the passage of time. For example, although video recording is a relatively recent phenomenon, unauthorized video recordings on the market both inside and outside the Community now sometimes outnumber those legitimately produced.

The piracy problem has become an issue of great concern to the sound recording industry, which has made strenuous efforts and launched numerous initiatives to improve the law and its enforcement. Worldwide, the value of pirate products sold may be put at USD 1.2 billion a year, compared with a total turnover of about USD 14 billion.

Recently, computer software and in particular computer programs have become a very vulnerable target for pirate activities. Programs are easily reproduced at a cost which represents only a tiny fraction of the cost of their original development.

The Green Paper contains a number of suggestions for a more effective repression of piracy. On the external front greater and improved international cooperation is recommended. On the internal front consideration should be given to extending the 1986 Council Regulation laying down measures to prohibit the release for free circulation of counterfeit goods³ to include goods infringing copyrights.

As regards remedies and penalties, appropriate redress should be available to those whose interests have been harmed; injunctive relief should be available to victims; confiscation of infringing goods and equipment used to produce them should be introduced where it is not already in place; and piracy should be treated as a criminal offence for which the pirate may be prosecuted, serious or repeated offences being punishable by imprisonment.

The efforts of right-holders and their organizations to develop structures enabling them to act effectively against pirates should be stepped up and encouraged. *Ad hoc* anti-piracy organizations should pool their resources so as to operate more efficiently. New techniques have been developed to facilitate enforcement, such as the marking

¹ COM(88) 172 final.

² Bull. EC 6-1985, point 1.3.1 *et seq.*

³ OJ L 357, 18.12.1986, Bull. EC 12-1986, point 2.1.82.

of films to enable the source of seized copies to be identified more easily.

Private copying

1.2.3. The information available on sound recordings is such that the effects of home copying on the legitimate exploitation of recorded works cannot be precisely quantified. Not all home copies substitute for legitimate sales, especially where they are made by persons who have themselves purchased the recording in question, or where copies have been made off-air of works which are not for sale. Nevertheless, the fact that digital sound recording allows the consumer to produce a copy which is as good as the studio master tape makes it seem likely that home copying could in future replace purchases of originals to a much greater extent than at present.

The Commission recognizes that the practice of home copying may cause losses to right-holders where such copying substitutes for sales of prerecorded material. It therefore proposes a series of related measures which, in combination, aim to reduce home copying practices (and thus indirectly stimulate sales of prerecorded sources) rather than sanction the home copying phenomenon by means of harmonization at Community level. Thus the limitation of the copying by technical means of right-holders' works, the introduction of a rental right for audiovisual works, the introduction of a series of anti-piracy measures and the freedom for Member States to maintain or introduce levies should all contribute to an enhancement of right-holders' revenues.

Distribution

1.2.4. A major area of difference between the copyright laws of the Member States concerns the economic right of distribution, i.e. the exclusive right to authorize the making available of a work or copies thereof to the public, or the author's control over the commercial exploitation of his work within a given jurisdiction. The question to be considered is whether to approximate or harmonize at Community level a distribution right and, if so, in respect of which works and which rights pertaining to those works.

There is also a need for a Community approach to the concept of exhaustion (in particular in connection with rentals) as well as to the length of protection. Copyrights are considered to be exhausted or consumed when the protected goods are first lawfully marketed with the consent of the author. They are considered expired when the period of protection laid down by law comes to an end.

1.2.5. Current developments in the distribution of sound and video recordings suggest that the introduction of a rental right in all Member States of the Community should be considered a priority. Such a right should be granted to authors of works embodied in sound and video recordings, to the producers of such recordings and to performers whose performances have been fixed thereon.

1.2.6. The Commission believes that the possibility of a proposal for a Directive, to be based on Article 100a of the EEC Treaty, introducing a rental right for sound and video recordings in all Member States of the Community should be studied.

3. General system of recognition of higher-education diplomas

1.3.1. On 30 June the Council unanimously adopted a common position in the proposal for a Directive on a general system for the recognition of higher-education diplomas¹ awarded on completion of professional education and training of at least three years' duration.

The Directive differs from previous 'sectoral' directives in several important respects.

First, it is general in nature, in that the new system is intended to apply to all regulated professions for which university-level training of at least three years is required and which are not covered by a specific directive.

Second, recognition is to be based on the principle of mutual trust, without prior coordination of the preparatory educational and training courses for the various professions in question. As a basic principle, a host Member State may not refuse entry to a regulated profession to a national of a Member State who holds the qualifications necessary for exercise of that profession in another Member State.

Third, recognition is granted to the 'end product', i.e. to fully qualified professionals who have already received any professional training required in addition to their university diplomas. Throughout the Directive, the term 'diploma' is used in the sense of 'end product'.

Fourth, where there are major differences in education and training, or in the structure of a profession, the draft Directive provides for compensation mechanisms, i.e. either an adaptation period or an aptitude test. It

is normally left to the migrant to choose between the two mechanisms, but for the professions whose practice requires precise knowledge of national law and in respect of which the provision of advice and/or assistance concerning national law is an essential and constant aspect of the exercise of the professional activity, the host Member State may stipulate either the adaptation period or the test. If a host Member State is planning not to grant applicants this choice in the case of other professions, it must follow a procedure whereby the measure concerned may only be adopted if the Commission has not decided to the contrary within three months.

The fact that, in principle, the Directive covers regulated professions meant that this concept had to be defined in such a way as to include types of professional organization equivalent to formal regulation, notably the systems in the United Kingdom and Ireland based on chartered bodies or other professional organizations or associations of an essentially private character.

Persons holding a diploma obtained in a non-member country will be entitled to automatic recognition if they can show proof of at least three years' experience in a Member State which recognizes the diploma of the country in question.

The Directive also lays down provisions concerning proof of good character and good repute. It should come into effect in 1990.

¹ Supplement 8/85 — Bull. EC; OJ C 217, 28.8.1985; Bull. EC 7/8-1985, point 1.4.1; OJ C 143, 10.6.1986; Bull. EC 5-1986, point 2.1.96.

4. Carriage of goods by road between Member States

1.4.1. On 21 June, acting on a Commission proposal,¹ the Council adopted a Regulation on access to the market for the carriage of goods by road between Member States.² In this field the Council intends to achieve by 1 January 1993 a market free of all quantitative restrictions and to take the necessary implementing measures. Adoption of this Regulation is an important step towards having an integrated transport market by 1993, and it makes further progress possible on road transport.

A market free of all quantitative restrictions

1.4.2. The new Regulation provides that by 1 January 1993 Community quotas, bilateral quotas between Member States and quotas for transit traffic to and from non-member countries will be eliminated for Community hauliers and that from that date access to the market for transfrontier carriage of goods by road within the Community will be governed by a system of Community licences issued on the basis of qualitative criteria.

Transitional and implementing measures

1.4.3. The Regulation also lays down what measures are to be taken in the transitional period from 1988 to 1992.

For 1988 the total number of Community authorizations allocated to Member States under the Community quota is set at 17 153, broken down as follows:

Belgium	1 488
Denmark	1 444
Germany	2 374
Greece	658
Spain	1 543
France	2 018
Ireland	671
Italy	2 022
Luxembourg	693
Netherlands	2 104
Portugal	873
United Kingdom	1 265

The total number of authorizations for 1989 is 24 021. The breakdown by Member State is as follows:

Belgium	2 084
Denmark	2 022
Germany	3 324
Greece	922
Spain	2 161
France	2 826
Ireland	940
Italy	2 831
Luxembourg	971
Netherlands	2 946
Portugal	1 223
United Kingdom	1 771

1.4.4. The Council will decide by 31 March 1990 at the latest, acting on a Commission proposal to be presented by 31 December 1989, what increase should be made in the Community quota from 1990 and what measures should be taken in the event of a crisis. The proposal must be accompanied by a report on the effects of the previous increases, including the allocation of the Community quota.

In addition, before 31 March 1990 the Council will decide, acting on a Commission proposal to be presented before 31 December 1989, on the arrangements to apply to transport between Member States in transit through non-member countries, without discriminating between hauliers from the various Member States.

1.4.5. Should the growth in the capacity for the carriage of goods by road between Member States subject to a Community or bilateral quota fail to keep pace with the growth in demand, the Commission will decide on an appropriate increase in the Community quota, over and above the annual increase.

¹ OJ C 65, 12.3.1987; Bull. EC 3-1987, point 2.1.197.

² OJ L 163, 30.6.1988.

5. Signature of the Joint Declaration by the Community and the Council for Mutual Economic Assistance

1.5.1. The Joint Declaration on the establishment of official relations between the Community and the Council for Mutual Economic Assistance was signed in Luxembourg on Saturday 25 June,

(i) on behalf of the Community by Mr Hans-Dietrich Genscher, Foreign Minister of the Federal Republic of Germany and President of the Council, and Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy;

(ii) on behalf of the Council for Mutual Economic Assistance (CMEA) by Mr Rudolf Rohlicek, Deputy Prime Minister of Czechoslovakia and Chairman of the CMEA Executive Committee, and Mr Vyacheslav Sychov, Secretary of the CMEA.

The signing ceremony was attended by Lord Plumb, President of the European Parliament, Mr Jacques Delors, President of the Commission, and Mr Jacques Poos, Luxembourg's Foreign Minister, and by ambassadors and permanent representatives of the Community Member States and ambassadors of the CMEA countries.

The outcome of a long process

1.5.2. The signing of this Declaration is the culmination of a series of contacts and negotiations spanning more than 14 years. The first contacts between the Commission and the CMEA Secretariat took place in 1974-75.¹ In 1976 the CMEA sent the Community a draft agreement between the two organizations and their member States;² later that year the Community put forward an alternative draft agreement between the Community and the CMEA only, not including the member countries.² Negotiations on the basis of these drafts continued from 1977 to 1980;³ they were suspended in 1981, mainly because the CMEA wanted to include trade provisions in the

agreement and make it into an 'umbrella' agreement covering bilateral relations between the Community and the individual members of the CMEA.⁴ It has always been the Community's policy to seek direct normal relations with these countries and to negotiate with them, as the authorities having control of commercial policy instruments, on all trade matters.

Contacts resumed in 1985,⁵ when the CMEA Secretariat proposed a new approach: a joint declaration would establish official relations between the CMEA and the Community, the nature and content of which would be defined at a later stage. Mr De Clercq replied to that initiative in 1986,⁶ accepting Mr Sychov's proposal but observing that it would be pointless for the Community to establish relations with the CMEA unless it also had relations with the CMEA member countries; at the same time he wrote to the Foreign Ministers of the CMEA countries proposing the normalization of their relations with the Community in parallel with the establishment of links between the Community and the CMEA.

1.5.3. The CMEA countries accepted the policy of parallel normalization later in 1986,⁷ and the process started which led two years later to the signing of the Declaration. The main problem to be overcome by the negotiations was the inclusion in the Declaration, as in all Community agreements, of a 'territorial application clause',

¹ Eighth General Report (1974), points 450 and 451; Ninth General Report (1975), points 504 and 509.

² Tenth General Report (1976), point 561.

³ Eleventh General Report (1977), point 564; Twelfth General Report (1978), point 529, Thirteenth General Report (1979), point 583, Fourteenth General Report (1980), point 704.

⁴ Bull. EC 3-1981, point 2.2.57.

⁵ Bull. EC 6-1985, points 2.3.37 and 2.3.38; Bull. EC 7/8-1985, point 2.3.3; Bull. EC 10-1985, point 2.3.29.

⁶ Bull. EC 2-1986, point 2.2.21.

⁷ Bull. EC 5-1986, point 2.2.37.

which means in particular that the agreement covers West Berlin. The CMEA accepted the clause during informal negotiations in May. The Declaration was initialled on 9 June; the Decision on the conclusion of the Declaration was adopted by the Council on 22 June¹ following endorsement by Parliament on 16 June.²

In accordance with the principle of parallelism, negotiations were held at the same time with a number of Eastern European countries. As a result, the Soviet Union, the German Democratic Republic, Czechoslovakia, Bulgaria and Hungary all announced in June their decision to accredit diplomatic missions to the Community, an unprecedented act of formal recognition from the Eastern European countries.

Future prospects

1.5.4. Normalization has not been confined to the establishment of formal relations. Following year-long negotiations a trade and commercial and economic cooperation agreement was initialled with Hungary on 30 June (→ point 2.2.43). Relations with Romania are even further advanced, since the Community is already negotiating³ the renewal and enlargement of the cooperation agreement concluded in 1980.⁴

Good progress is being made in the negotiations on a trade agreement with Czechoslovakia,⁵ which should be initialled in the

near future. Exploratory discussions have been going on since 1986 with Poland,⁶ Bulgaria and the Soviet Union;⁷ a preliminary round of similar talks with the German Democratic Republic took place on 27 and 28 June.

1.5.5. Thus June marked a turning point in the Community's relations with its Eastern neighbours. Normalization of relations opens the way to increased trade and greater contact with a group of countries which had long chosen to ignore the existence of the Community. This development is part of the broader process of improving East-West relations witnessed in recent years, reflecting both a more open and more realistic external policy on the part of the Eastern European countries and real efforts to reform their economic management system. As Mr Delors said when the Declaration was signed: 'The Community is ready to play its allotted part in this combined operation, which is of the greatest importance for the future of the whole of Europe'.

¹ OJ L 157, 24.6.1988.

² OJ C 187, 18.7.1988.

³ Bull. EC 12-1986, point 2.2.26; Bull. EC 3-1988, point 2.2.42.

⁴ OJ L 352, 29.12.1980; Bull. EC 7/8-1980, points 1.4.1 to 1.4.9.

⁵ Bull. EC 12-1987, point 2.2.31; Bull. EC 5-1988, point 2.2.35.

⁶ Bull. EC 6-1986, point 2.2.40; Bull. EC 4-1988, point 2.2.27.

⁷ Bull. EC 10-1987, point 2.2.38; Bull. EC 12-1987, point 2.2.40.

6. Western Economic Summit in Toronto¹

1.6.1. The Heads of State or Government of the seven major industrial nations, including four member countries of the Community, and the President of the Commission met in Toronto from 19 to 21 June for their annual Economic Summit, the 14th since that at Rambouillet in 1975.² The Community has participated in these meetings since the London Summit in 1977. Mr Brian Mulroney, Prime Minister of the host country, was in the chair. The Community was represented by Chancellor Kohl, the President of the Council, and by Mr Jacques Delors, the President of the Commission.

The economic situation being better than expected, participants were able to devote more attention than in recent years to structural and long-term issues. They reaffirmed their commitment to enhanced cooperation, the key to credibility and confidence.

Affirmation of the role and example of the Community

1.6.2. While emphasizing the complementarity of structural and macroeconomic policies, the participants confirmed that reforms would be pursued by removing barriers and unnecessary controls and regulations. The main elements of the programmes to be carried out by each of the eight participants are given in an Annex to the Declaration. Where the Community is concerned, the framework is provided by the programme for completing the internal market by 1992 and by the necessary accompanying policies.³

1.6.3. The Heads of State or Government also devoted considerable attention to the world trading system and progress of the Uruguay Round.⁴ The Community and its trading partners agreed at Punta del Este in September 1986⁴ on the possibility of a mid-term review which, it is now agreed, will be held in December 1988⁵ (→ point 2.2.19). The Summit noted the progress made with the tabling of major proposals⁶ and stressed that it was necessary to ensure that the mid-term review added impetus

to the negotiations in all areas including agriculture (→ points 2.2.1 to 2.2.3). On agriculture, it was acknowledged that it was necessary to underpin the efforts at reform undertaken recently, particularly by the Community.⁷

1.6.4. On debt issues, the Summit confirmed the validity of the case-by-case approach⁸ but noted that a number of highly indebted middle-income countries continued to have difficulties in servicing their external debt and in generating the investment necessary for sustainable growth. In the case of the poorest countries, particularly those of sub-Saharan Africa,⁹ the Summit was encouraged by the progress made since Venice.⁸ The Community and its Member States had played a full role in this progress⁹ and presented further proposals which were welcomed by the Heads of State or Government. The Paris Club was urged to work out the requisite technicalities to ensure comparability by the end of 1988 at the latest.¹⁰

1.6.5. The Toronto Summit, like previous summits, concentrated on economic issues

¹ The declarations adopted at the close of the Summit are reproduced *in extenso* at point 3.5.1 *et seq.* The Political Declaration is given at points 3.5.38 to 3.5.40 and the 'Chairman's summary of political issues' at points 3.5.41 to 3.5.43.

² Bull. EC 6-1987, points 1.2.1 to 1.2.10 and 3.7.1 to 3.7.39.

³ Bull. EC 6-1985, point 1.3.1 *et seq.*

⁴ Bull. EC 9-1986, point 1.4.1 *et seq.*

⁵ Bull. EC 4-1988, points 2.2.1 and 2.2.14; Bull. EC 5-1988, point 2.2.17.

⁶ Agriculture: point 2.1.196 of this Bulletin; Bull. EC 10-1987, point 2.2.1, Bull. EC 2-1988, point 2.2.4. Textiles: Bull. EC 5-1988, point 2.2.1. Standards: Bull. EC 9-1987, point 2.2.3. Tariffs: Bull. EC 10-1987, point 2.2.3. Tropical products: Bull. EC 6-1987, point 2.2.1; Bull. EC 10-1987, point 2.2.9. Dismantling of quantitative restrictions: Bull. EC 12-1987, point 2.2.1.

⁷ Bull. EC 2-1988, point 1.1.1 *et seq.*

⁸ Bull. EC 6-1987, points 1.2.6 and 3.7.21 to 3.7.28.

⁹ OJ C 348, 23.12.1987; OJ L 356, 18.12.1987; Bull. EC 12-1987, point 2.2.41.

¹⁰ The Paris Club, which comprises the creditor countries of all debtor nations, examines the technicalities of managing their public debt (monetary aspects, rescheduling, etc.).

but also touched on environmental questions. In particular, it encouraged all countries to sign and ratify the Montreal Protocol on substances that deplete the ozone layer.¹ The Council meeting on environmental matters on 16 June had already agreed on the need to adopt an instrument that would enable the Community and its Member States to ratify and implement this Protocol (→ point 2.1.181). Lastly, the Summit welcomed the intention

of the Community to host the sixth Conference on Bioethics in the spring of 1989.

1.6.6. Observers noted that the Community had a higher profile at the Summit than in previous years on account of its recent successes in the areas covered by the Single European Act.²

¹ Bull. EC 9-1987, point 2.1.114.

² OJ L 169, 29.6.1987; Supplement 2/86 — Bull. EC.

7. News in brief

Integrated financial area

On 24 June the Council adopted a Directive on the complete liberalization of capital movements and a Regulation establishing a single facility providing medium-term financial support for Member States' balances of payments (→ point 2.1.3).

Economic and monetary policy

On 30 June the Commission approved a communication to the Council setting out the short-term economic outlook and budgetary policies for 1989 entitled 'Releasing and exploiting the Community's growth potential' (→ point 2.1.4).

Internal market

The Council adopted a common position on 22 June on the proposal for a Directive applying to construction products the new approach to technical harmonization and standardization (→ point 2.1.26).

A people's Europe and civil protection

On 23 June the Commission adopted a communication to Parliament on a people's Europe, its achievements to date and the outlook for the future (→ point 2.1.19).

The Commission adopted a proposal for a Directive on voting rights for Community nationals in local elections in the Member State where they reside (→ point 2.1.20).

A communication on the introduction of a standard Europe-wide emergency telephone number by 1992 was sent to the Council on 14 June (→ point 2.1.21).

Enterprise and company law

The Council adopted a resolution on 30 June concerning improvement of the business environment and action to promote the development of firms, especially small firms (→ point 2.1.45).

On 22 June the Commission adopted proposals for two Directives to extend the Community rules for the coordination of public procurement procedures to activities hitherto excluded (water, energy and transport services and telecommunications) (→ point 2.1.51).

The Commission adopted a memorandum on 8 June setting out its proposals for a Statute for the European Company (→ point 2.1.127).

Research and development

A paper on aeronautics research and technology was sent to the Council on 15 June (→ point 2.1.61).

Environment and quality of life

On 16 June the Council adopted a further Directive on measures to be taken against air pollution by gases from diesel engines of private vehicles (→ point 2.1.178).

On 28 June the Council approved a proposal for a Directive to limit emissions of pollutants from large combustion plants (→ point 2.1.180).

Again on 16 June the Council approved proposals for a Decision and a Regulation to give effect to the Vienna Convention and the Montreal Protocol on the protection of the ozone layer (→ point 2.1.181).

Relations with the Gulf countries

A cooperation agreement between the Community and the Gulf Cooperation Council was signed in Luxembourg on 15 June (→ point 2.2.39).

Interinstitutional agreement on budgetary discipline

On 13 June the Council approved the interinstitutional agreement on budgetary discipline and improvement of the budget procedure, as agreed with Parliament and the Commission on 27 May (→ point 2.3.8).

Brussels European Council: budgetary conclusions implemented

On 30 June the Council adopted a Regulation on own resources and on 24 June measures relating to the own-resources system, budgetary discipline and the reform of the structural Funds (→ points 2.3.4, 2.3.5, 2.3.9 and 2.3.14 to 2.3.16).

PART TWO

**ACTIVITIES
IN JUNE 1988**

1. Building the Community

Economic and monetary policy

2.1.1. The European Council, meeting in Hanover on 27 and 28 June, gave a decisive impetus to the discussions on monetary union in deciding to set up a committee under the chairmanship of Mr Jacques Delors to study and propose concrete stages leading towards such union (→ points 1.1.1 to 1.1.4 and 3.4.1).

2.1.2. The 14th Western Economic Summit, held in Toronto from 19 to 21 June, issued an important economic declaration (→ points 1.6.1 to 1.6.6 and 3.5.1 to 3.5.30).

Council

2.1.3. On 24 June the Council adopted two instruments aimed at promoting the creation of a European financial area—a Directive on the complete liberalization of capital movements (→ point 2.1.8) and a Regulation establishing a single facility providing for medium-term financial assistance for Member States' balances of payments (→ point 2.1.6), on which it had reached agreement on 13 June. Also on 13 June, the Ministers for Economic and Financial Affairs adopted a Directive on tax exemptions for imports (→ point 2.1.101) and a Regulation amending the Regulation of 21 December 1977 on the replacement of financial contributions from Member States by the Community's own resources (→ point 2.3.4).

Economic situation

2.1.4. On 30 June the Commission adopted, for transmission to the Council on 8 July, a communication on the short-term economic outlook and budgetary policies for 1989 entitled 'Releasing and exploiting the Community's growth potential'.¹ The communication, made in accordance with Article 3 of the Council Decision of 18 February 1974 on convergence,² serves as a basis for the second-quarter examination by the Council of the economic situation in the

Community, on the occasion of which the Council will also establish quantitative guidelines for the draft public budgets for 1989. In its paper, the Commission emphasized that the stock market crash of October 1987, which occurred at a moment when the major industrial economies were experiencing a remarkable acceleration of growth, might still have some effects on economic activity but that growth had remained resilient. The outlook for 1989 and beyond, however, pointed to weaker growth. International payments disequilibria were being reduced only slowly and, at the same time, increasing intra-Community external imbalances were becoming a cause for concern. Job creation would continue but unemployment would remain high. Since the Community could count only on its own forces to improve its growth performance, its priorities would have to lie in strengthening the internal determinants of growth, utilizing the growth potential stemming from the creation of the single market and the narrowing of income gaps within it, and improving the coordination of economic policy in line with growing economic interdependence.

In 1987 monetary policy had been quite expansionary. The prolonged monetary injection had even reinforced the growth of demand but had triggered a rise in interest rates. After pointing to the key role played by budgetary policy in maintaining growth on a healthy path and emphasizing that the medium-term objective was to contain public debts and increase the effectiveness of public spending, the communication concluded that, until the Community was transformed into a full economic and monetary union, even capital movements and large-scale resource transfers could not fully prevent market-enforced adjustments.

2.1.5. On 2 June the Economic and Social Committee delivered an own-initiative opinion on the economic situation in the Community in mid-1988 (→ point 2.4.39).

¹ COM(88) 346.

² OJ L 63, 5.3.1974.

European Monetary System

Medium-term financial assistance

2.1.6. On 24 June the Council adopted¹ on a proposal from the Commission² and after consulting Parliament (→ point 2.1.7), a Regulation establishing a single facility providing medium-term financial assistance for Member States' balances of payments.

The new Regulation merges the two former instruments for medium-term balance-of-payments support, i.e. medium-term financial assistance³ and the Community loan mechanism.⁴

The new Community facility enables loans to be granted to Member States which are experiencing, or are seriously threatened with, difficulties in their balance of current payments or capital movements. As indicated in the joint statement by the Commission and the Council, the broad scope of the wording enables Community financial assistance to be granted to help a Member State implement a capital movements liberalization programme despite a precarious balance-of-payments situation. Under the revised facility, an order of precedence has been established between the two different financing methods which characterized the former instruments: market borrowing is the normal method of financing and Member States' contributions the exceptional method for all types of loans, including those whose purpose is to support a capital movements liberalization programme.

Under the new facility, the ceilings on amounts outstanding (in principal) are as follows:

- (i) a ceiling of 16 billion ECU on the total outstanding amount of loans, irrespective of the source of finance;
- (ii) a subceiling of 14 billion ECU on the outstanding amount of loans financed by Community borrowing on the capital markets;
- (iii) a subceiling of 13.925 billion ECU on the total of Member States' direct contributions towards financing the facility; this

is the same as under the previous medium-term financial assistance facility.

Compared with the previous instruments, the new ceilings for the single facility constitute a marked improvement in the Community's effective capacity for supporting Member States with balance-of-payments difficulties. The outstanding amount of loans which may be financed by Community borrowing on the capital markets—the most commonly used source of funding—has been raised by 75 %, while Member States may still be called upon to make direct contributions as a last resort, within the limits of the commitment ceilings previously in force.

The new Regulation generalizes the arrangements for economic monitoring applied under the former Community loan mechanism. The Commission, in collaboration with the Monetary Committee, is to verify at regular intervals that the recipient member country is complying with the economic policy conditions attaching to loans under the medium-term financial support facility. On the basis of the findings of that verification, the Commission, after the Monetary Committee has delivered an opinion, will decide on the release of further instalments, the principle applied being staggered disbursement of the loans. The Council may also decide on any adjustments to be made to the initial economic policy conditions.

Lastly, the revised facility has a number of new technical features intended to simplify its use:

- (i) no fixed duration has been laid down for loans, nor have individual limits been imposed on access to the mechanism by Member States; on a proposal from the Commission the Council, acting by a qualified majority, will decide on the size and

¹ OJ L 178, 8.7.1988.

² OJ C 26, 1.2.1988; Bull. EC 10-1987, point 1.1.5; Bull. EC 5-1988, point 2.1.2.

³ OJ L 73, 27.3.1971; OJ L 382, 31.12.1986; Bull. EC 12-1986, point 2.1.3.

⁴ OJ L 73, 19.3.1981; Bull. EC 3-1981, point 2.1.2; OJ L 118, 1.5.1985; Bull. EC 4-1985, point 2.1.2.

duration of loans and on the economic policy conditions to be attached;

(ii) at the request of the recipient Member State, a loan may carry the option of early repayment;

(iii) where medium-term financial support is financed by market borrowing, the recipient Member State may, where circumstances permit, apply to the Commission for restructuring of the financial conditions imposed or even refinancing (i.e. a change in lenders) of its initial borrowings;

(iv) where medium-term financial support is financed by contributions from Member States, the procedures according to which a Member State may be exempt from contributing or may mobilize its claim are simplified.

2.1.7. Previously, in its opinion¹ of 17 June on the Commission proposal for this Regulation,² Parliament had requested that the outstanding amount of loans that could be granted to Member States should be limited to 25 billion ECU in principal and that the extent to which a Member State could draw on the facility be reduced from 50 to 25% of this ceiling. Parliament had also called for the granting of loans as medium-term financial support to a Member State not taking part in the EMS exchange-rate mechanism to be subject to that State accepting exchange-rate discipline.

Free movement of capital

2.1.8. On 24 June, on a proposal from the Commission and after consulting Parliament, the Council also adopted a Directive on the complete liberalization of capital movements (→ point 2.1.9).³ Under the terms of the new Directive, all restrictions on capital movements between residents of the Member States are to be abolished. Compared to the current legal position, this means in particular that monetary or quasi-monetary transactions (financial loans and credits, current and deposit account operations, and operations in securities and

other instruments normally dealt in on the money market) will be liberalized.

The Directive will enter into force within two years (on 1 July 1990). Four Member States (Spain, Greece, Ireland and Portugal) may make use of a derogation and maintain certain restrictions until the end of 1992. The same applies to Belgium and Luxembourg, these two countries being authorized on certain conditions to continue to operate their dual foreign-exchange markets until that time.

A specific safeguard clause is included in the new Directive. This enables Member States to reintroduce restrictions on short-term capital movements for a maximum of six months should their monetary or exchange-rate policies be disrupted. In each case, such measures must be authorized by the Commission, although Member States may, in an emergency, take protective measures without authorization. The Directive also authorizes Member States to adopt or maintain, on certain conditions and within certain limits, measures to regulate bank liquidity which have a specific impact on capital transactions carried out by credit institutions with non-residents.

The Directive also contains provisions concerning relations with non-member countries in the area of capital movements. These provisions establish the principle of liberalization *erga omnes*. Member States must endeavour to achieve the same degree of liberalization with non-member countries as has been attained within the Community. However, this does not prejudice existing or subsequent provisions in related areas (right of establishment, financial services and admission of foreign securities to national capital markets), where the principle of reciprocity must be applied.

Should external monetary or financial shocks occur, the Community may take concerted action. Consultations will take

¹ OJ C 187, 18.7.1988.

² OJ C 26, 1.2.1988; Bull. EC 10-1987, points 1.1.1 to 1.1.6.

³ OJ C 26, 1.2.1988; Bull. EC 10-1987, point 1.1.3.

place, within the Monetary Committee and the Committee of Governors of the Central Banks, at the initiative of the Commission or a Member State. They may extend to any measures capable of counteracting the difficulty which has arisen. These would most likely take the form of coordinated monetary and currency rules. If these prove inadequate, however, the possibility of concerted regulation of short-term capital movements to and from non-member countries is not ruled out.

The new Directive also establishes a precise timetable for accompanying measures which might become necessary to combat distortions and tax avoidance and evasion induced by differences between national tax rules on savings once capital movements have been fully liberalized.

Finally, on adoption of the Directive, a joint statement was made by the Commission and the Council recognizing the need for further progress in the tax field and stressing the correlation between, firstly, liberalizing capital movements and improving the stability of exchange-rate relationships between Member States and, secondly, closer convergence of economic performances and greater cooperation on economic and monetary policy by 1992. The statement also points to the importance of pressing ahead with the programme initiated in the area of financial services, i.e. the harmonization of rules on prudential supervision and surveillance.

2.1.9. Previously, in an opinion¹ delivered on 17 June, Parliament had approved this Commission proposal² for a Directive subject to several amendments. These were aimed in particular at ensuring, firstly, that with capital movements liberalized, there was no discrimination against Member States' economic operators on account of their place of residence and, secondly, that free movement was not brought about at the expense of the protection of savings, that it went hand in hand with supervision and monitoring at European level and that it did not lead to tax evasion and an undesirable shift in investment. Parliament also

urged that, by 31 December 1988 at the latest, the Commission should submit proposals on the protection of savings, on a general withholding tax on interest on bonds and bank deposits and on supervision and monitoring at European level.

2.1.10. On 17 June Parliament delivered an opinion¹ on the proposal³ from the Commission to the Council for a Directive amending the Directive of 21 March 1972 on regulating international capital flows and neutralizing their undesirable effects on domestic liquidity.⁴ It endorsed the proposal subject to some amendments.

On the same day it adopted a resolution on the creation of a European financial area (→ point 2.4.24).¹

Community borrowings

2.1.11. On 29 June the Commission formally signed a 500 million ECU Community loan which commemorates the 100th anniversary of the birth of Jean Monnet (→ point 2.3.21). This loan, which was floated jointly by the EEC and the ECSC, is for the highest single amount ever raised on the international ECU market. It implements the Commission's decision to provide operators in ECU with a benchmark whose size and liquidity could consolidate the market as a whole and allow it to operate in a more realistic manner. The issue is also intended to play a vital role in promoting the ECU.

New Community Instrument

2.1.12. On 16 June Parliament adopted a favourable opinion¹ on the proposal⁵ for a Decision amending the Council Decision of 9 March 1987⁶ empowering the Com-

¹ OJ C 187, 18.7.1988.

² OJ C 26, 1.2.1988; Bull. EC 10-1987, points 1.1.1 to 1.1.6.

³ OJ C 26, 1.2.1988; Bull. EC 10-1987, point 1.1.4.

⁴ OJ L 91, 18.4.1972.

⁵ OJ C 20, 26.1.1988; Bull. EC 12-1987, point 2.1.5.

⁶ OJ L 71, 14.3.1987; Bull. EC 3-1987, point 2.1.3.

mission to borrow under the New Community Instrument (NCI) with regard to exceptional Community aid for the reconstruction of the areas stricken by the earthquakes of September 1986 in Greece.

Internal market

Completing the internal market

2.1.13. The European Council, meeting in Hanover on 27 and 28 June, considered that the process of completing the internal market 'has now reached the point where it is irreversible, a fact accepted by those engaged in economic and social life'. It also underlined 'the importance of removal of obstacles to the free movement of persons' (→ points 1.1.1 to 1.1.4 and 3.4.1).

Council

2.1.14. On 7 June the Council approved a common position on the establishment at Community level of a policy and plan of priority actions for the development of an information services market (→ point 2.1.89). The problems still outstanding¹ on the right of residence² were again discussed but no solution was found. As regards consumer protection and information, the Council adopted a resolution on improvement of consumer involvement in standardization and examined the issues still unresolved regarding the extension of the Community system for the rapid exchange of information on dangers arising from the use of consumer products. Note was taken of the Commission's first report on the integration of consumer policy in the other common policies (→ point 2.1.189). The Council also approved a resolution on the improvement of the business environment and action to promote the development of enterprises, especially SMEs in the Community (→ point 2.1.45).

2.1.15. On 22 June the Council continued its discussions of 7 June on a number of

proposals. It unanimously adopted a common position, confirmed on 30 June, on the proposal for a Directive on a general system for the recognition of higher-education diplomas (→ point 1.3.1). It adopted by a qualified majority a common position on the proposal for a first Directive to approximate the laws of the Member States relating to trade marks and made some progress on outstanding points regarding the content of the Community Patent Convention (→ point 2.1.46).

The Council also agreed on a common position on three important proposals for Directives relating to the transparency of measures regulating the pricing of medicinal products for human use and their inclusion within the scope of national health systems (→ point 2.1.43), the rules covering the remaining features and characteristics needed to complete the procedure for full EEC type-approval of new tractor types (→ point 2.1.31) and construction products (→ point 2.1.26).

The Council approved the substance of two Regulations, one on customs warehouses and the other on free zones and free warehouses (→ point 2.1.96). The meeting also discussed the proposal for a Directive coordinating the procedures for the award of public works contracts (→ point 2.1.50).

Implementation of the White Paper

2.1.16. On 17 June Parliament³ adopted three resolutions on the Commission's third report⁴ on the implementation of the White Paper on completing the internal market⁵ (→ point 2.4.24).

2.1.17. On 14 June the Commission presented to the Council and Parliament a Green Paper entitled 'Copyright and the challenge of technology—Copyright issues

¹ Bull. EC 5-1988, point 2.1.7.

² OJ C 207, 17.8.1979; Bull. EC 5-1979, point 2.1.14; OJ C 188, 25.7.1980; OJ C 292, 11.11.1980; OJ C 171, 10.7.1985; Bull. EC 6-1985, point 2.1.15.

³ OJ C 187, 18.7.1988.

⁴ Bull. EC 3-1988, point 2.1.9.

⁵ Bull. EC 6-1985, point 1.3.1 *et seq.*

requiring immediate action', thus fulfilling the undertaking given in its White Paper on completing the internal market¹ to publish a preliminary paper on copyright issues (→ point 1.2.1 *et seq.*).

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2.1.18. The Commission sent the Council a proposal for a Regulation on the implementation of an action programme on transport infrastructure with a view to the completion of the internal market by 1992 (→ point 2.1.254).

A people's Europe

Assessment and outlook

2.1.19. On 24 June the Commission sent a communication on a people's Europe to Parliament and, for information, to the Council, taking stock of achievements so far and indicating the priority areas where further progress needs to be made.²

First of all, the communication reviews the implementation of the proposals set out in the two reports from the *ad hoc* Committee on a People's Europe (the Adonnino Committee),³ approved by the Milan European Council in June 1985.⁴ Most of the recommendations of the first report were set out in the White Paper on completing the internal market.⁵ The second report from the *ad hoc* Committee looked at factors which might give the people of Europe a greater sense of belonging to the Community and help them identify with it. The awareness of a European identity is already taking shape, thanks both to practical measures taken by the Community to achieve its objective of a frontier-free Europe and to the symbols and the various awareness campaigns on a range of themes and aimed at various target groups.

While much has already been achieved, the Commission feels that this is only the base on which to continue the building of the people's Europe.

Implementation of the Single Act⁶ and completion of the large economic area by 1992 are also bound to provide even greater impetus, helping to revitalize European society, which is already in the throes of rapid change. The European elections, now just a year away, provide us with a perfect opportunity to do just this. The Commission is well aware of the importance of this event and is proposing to Parliament that there should be increased cooperation and consultation on the best means of contributing to the creation of a genuine people's Europe. It has already indicated the priority targets of such action:

- (i) in the field of political rights, Community nationals must be guaranteed voting rights in local elections in their Member State of residence (→ point 2.1.20);
- (ii) the free movement of persons must be guaranteed in its entirety;
- (iii) on the education front, the Commission continues to attach great importance to the development of Community training programmes, particularly for young people; the need for action of this sort has been proven by the success of the Erasmus programme;
- (iv) action is needed in the cultural sector to make people more aware of their European identity in anticipation of the creation of a European cultural area.

Special rights

Voting rights in local elections

2.1.20. On 24 June the Commission sent the Council a proposal for a Directive on voting rights for Community nationals in local elections in their Member State of residence.⁷ The Commission had given an

¹ Bull. EC 6-1985, point 1.3.1 *et seq.*

² Supplement 2/88 — Bull. EC; COM(88) 331 final.

³ Supplement 7/85 — Bull. EC; Bull. EC 3-1985, point 3.6.1; Bull. EC 6-1985, point 1.4.1 *et seq.*

⁴ Bull. EC 6-1985, point 1.2.3.

⁵ Bull. EC 6-1985, point 1.3.1 *et seq.*

⁶ OJ L 169, 29.6.1987; Supplement 2/86 — Bull. EC.

⁷ Supplement 2/88 — Bull. EC; COM(88) 371 final.

undertaking to Parliament to present such a proposal during the first half of 1988.¹ The right to vote in local elections would be the culmination of a series of rights which all the citizens of the Member States now enjoy, no matter where in the Community they live. This may be regarded as the political accompaniment of economic and social integration.

In October 1986 the Commission sent Parliament a report analysing the demographic, legal and political aspects of the problems of voting rights in local elections,² which served as a basis for the proposal for a Directive.

This proposal, based on Article 235 of the EEC Treaty, is for voting rights to be granted following a minimum period of residence which should not exceed the term of office of a municipal council, and for the right to stand for election following a period twice that length. However, non-national municipal councillors would be excluded from the office of mayor or deputy mayor and from participation in the election of a parliamentary assembly. At the first two elections, the number of non-nationals on a local council could be limited to 25%.

Finally, if the proportion of nationals of other Member States exceeds 20% of the population of a Member State, that State would be authorized not to apply the Directive to the first elections to which it would otherwise apply. The Commission will report to the Council, proposing any transitional measures which might be needed for the following elections.

Civil protection

2.1.21. On 14 June the Commission sent the Council a communication on coordination and preparatory work in the telecommunications field towards the introduction of a standard Europe-wide emergency call number by 1992.³

The aim of the communication is to select a single, short number, taking full account of the work done by the European Conference of Postal and Telecommunications

Administrations (CEPT), and of any other aspects involved. It also proposes planning for the introduction of such a number giving automatic access to the main national emergency system, in general the police, so that it will be in operation Community-wide by 1992.

Free movement of persons — Freedom to provide services

Mutual recognition of diplomas— Access to economic activities

General system for the recognition of diplomas

2.1.22. On 30 June the Council unanimously approved a common position on the proposal for a Directive concerning a general system for the recognition of higher-education diplomas granted on completion of vocational training courses of a minimum length of three years (→ point 1.3.1).

Dentists

2.1.23. The Advisory Committee on the Training of Dental Practitioners met on 2 and 3 June and the 31 members present unanimously adopted a report on training in the field of precancerous states and cancer of the buccal cavity. The report comes under the framework of the Commission's 'Europe against cancer' programme.⁴ It recommends action at Community and national level. In particular it advocates increased effort in the field of training for student dentists with respect to prevention, screening and early diagnosis.

The Committee continued its work aimed at improving basic training and leading to the establishment of a self-assessment sys-

¹ Supplement 1/88 — Bull. EC; Bull. EC 1-1988, point 1.1.1 *et seq.*

² Supplement 7/86 — Bull. EC; Bull. EC 9-1986, point 2.1.74.

³ COM(88) 312 final.

⁴ OJ C 50, 26.2.1987; Bull. EC 12-1986, point 1.4.1 *et seq.*

tem for dentistry faculties, and developing a proposal for additional specialist training for dental practitioners similar to that adopted by the Council in the case of general medical practitioners.¹

Pharmacists

2.1.24. The Pharmaceutical Committee met on 21 June and continued to examine the implementation by the Member States of the 'pharmacists' Directives² which came into force on 1 October 1987. The Committee mainly focused on questions of legal interpretation, especially with respect to the recognition of diplomas and established rights. It also prepared documents listing the information services set up in the Member States for migrant pharmacists, and the dates from which diplomas issued in the Member States must comply with the Directive.

Free movement of goods

Protective measures

Portugal

2.1.25. On 14 June³ the Commission adopted a Decision authorizing Portugal, pursuant to Article 379 of the Act of Accession of Spain and Portugal, until 14 June 1989 to limit imports of washing machines for domestic use originating or in free circulation in other Member States. The limit must not be less than 175 000 units. The Decision takes effect on 15 June.

Standardization, certification and testing

Implementation of the new approach to technical harmonization and standardization

Construction products

2.1.26. On 22 June the Council adopted a common position on the proposal for a

Directive on construction products.⁴ Following the Directives on pressure vessels⁵ and toys,⁶ this Directive is the third to be drawn up under the resolution of May 1985 on the new approach to the harmonization of technical rules.⁷ It is without doubt the most significant from the economic point of view, since it is designed to facilitate the placing on the market and movement within the Community of a vast range of products accounting for a turnover of some 300 billion ECU per year.

Unlike the previous two Directives, the requirements which this Directive lays down with respect to safety and health protection apply to construction works (buildings) into which construction products are intended to be incorporated rather than to the products themselves. It makes provision for the drawing up of 'interpretative documents' which will bridge the gap between the requirements regarding construction works and the various standards for products which will have to be prepared on a 'mandate' from the Commission within the CEN (European Committee for Standardization).

Certification and testing

2.1.27. On 21, 22 and 23 June in Brussels the Commission — with a view to evolving a new overall policy on the mutual recognition of results and tests — held a symposium, attended by some 800 participants, on the theme of how to organize testing and certification activities in Europe. The symposium is the sequel to a consultative document on the same topic proposing certain guidelines for the future which was sent out by the Commission last January. In particular, these guidelines, which were

¹ OJ L 267, 19.9.1986; Bull. EC 7/8-1986, point 2.1.8.

² OJ L 253, 24.9.1985; Bull. EC 7/8-1985, point 2.1.13; OJ L 372, 31.12.1985; Bull. EC 12-1985, point 2.1.11.

³ OJ C 157, 16.6.1988.

⁴ OJ C 93, 6.4.1987; Bull. EC 12-1986, point 2.1.22; OJ C 30, 4.2.1988; Bull. EC 1-1988, point 2.1.10.

⁵ OJ L 220, 8.8.1987; Bull. EC 6-1987, point 2.1.14.

⁶ OJ L 187, 16.7.1988; Bull. EC 5-1988, point 2.1.115.

⁷ OJ C 136, 4.6.1985; Bull. EC 5-1985, point 1.3.1 *et seq.*

endorsed by the participants, seek to promote the creation of a European infrastructure with the dual objective of ensuring the proper functioning of a coordinating and consultative body to guarantee the maximum transparency of these activities and to create a framework within which agreements on the mutual recognition of test results and certificates can be negotiated clearly and transparently and in an atmosphere of confidence on the part of all concerned. A future European infrastructure in this area will need to take into account the following functions:

- (i) a sectoral and technical function to provide a framework for the negotiation and management of the mutual-recognition agreements;
- (ii) a specialized function (calibration, testing, certification procedures and quality assurance) to prepare the special technical tools that the sector-based groupings might need;
- (iii) a horizontal function to ensure coordination, consultation and cohesion in the area of technical agreements and transparency and promotion of such agreements in general;
- (iv) a political function for the Commission and the Council.

Removal of barriers to trade

Industrial products

Prepackaged product ranges

2.1.28. On 7 June¹ the Council adopted a Directive amending the Directive of December 1974² relating to the making up by volume of certain prepackaged liquids.³ This Directive provides, in particular, for the complete harmonization of the ranges of certain prepackaged products such as wine and sparkling wine, in order to ensure that the market for them is transparent, and for additional volumes in certain ranges which, on account of trade developments, needed expanding.

2.1.29. Also on 7 June⁴ the Council adopted a Directive relating to the classification, packaging and labelling of dangerous preparations⁵ on which it adopted a common position in December.⁶

Machinery

2.1.30. On 24 June⁷ the Commission transmitted to the Council an amendment to its proposal for a Directive on the approximation of the laws of the Member States relating to machinery.⁸

The object of the amendment is to ensure that certain machines considered to have a higher risk potential (various types of wood-working machines and presses) are subjected to a stricter certification procedure than that provided for in the normal EC declaration of conformity. This would involve the examination of a specimen machine (EC type-examination) by a certification body appointed by the Member States. The amendment also lays down essential health and safety requirements specific to machines for working wood and similar materials.

Wheeled agricultural and forestry tractors

2.1.31. On 22 June the Council reached a common position on the proposal for a Directive including provisions covering the remaining features and characteristics needed to complete the procedure for full EEC type-approval of new tractor types.⁹

2.1.32. In June the Commission also adopted six Directives adapting to technical progress a number of Directives relating to wheeled agricultural and forestry tractors, with a view to ensuring uniformity of

¹ OJ L 143, 10.6.1988.

² OJ L 42, 15.2.1975.

³ OJ C 317, 10.12.1986; Bull. EC 12-1986, point 2.1.21.

⁴ OJ L 187, 16.7.1988.

⁵ OJ C 211, 22.8.1985; Bull. EC 7/8-1985, point 2.1.126.

⁶ Bull. EC 12-1987, point 2.1.190.

⁷ COM(88) 267 final.

⁸ OJ C 29, 3.2.1988; Bull. EC 11-1987, point 2.1.21.

⁹ OJ C 218, 17.8.1987; Bull. EC 4-1987, point 2.1.9.

interpretation on the part of the competent Member State authorities.

The first Directive, adopted on 17 June, seeks to define in greater detail and supplement certain requirements laid down in the 1975 Directive relating to steering equipment.¹

The second Directive, adopted on 21 June, adapts to technical progress Directive 74/151/EEC relating to certain parts and characteristics.²

The third Directive, adopted on 22 June, concerns the operating space, access to the driving position and the doors and windows (adaptation of the 1980 Directive).³

The fourth Directive, adopted on 22 June, adapts to technical progress Directive 74/152/EEC relating to maximum design speed and load platforms.²

The fifth Directive, also adopted on 22 June, concerns roll-over protection structures (adaptation of the 1979 Directive).⁴

Lastly, the sixth Directive, adopted on 30 June, concerns the driver's seat (adaptation of the 1978 Directive).⁵

Dangerous substances and preparations

2.1.33. On 7 June⁶ the Council adopted a Directive on the inspection and verification of good laboratory practice,⁷ on which it had adopted a common position in December 1987.⁸

This Directive lays down the procedures to be followed by Member States in monitoring the compliance with good laboratory practice, as described in the Directive of 18 December 1986,⁹ of any test laboratory situated in their territory claiming to apply good laboratory practice in the tests that it carries out on chemicals (e.g. cosmetics, industrial chemicals, medicinal products, food additives, animal feed additives and pesticides), in order to assess the effects of these products on man, animals and the environment. These monitoring procedures apply to inspection and verification of the organizational processes and the conditions

under which laboratory studies are planned, performed, recorded and reported for non-clinical testing carried out in accordance with the rules and regulations.

2.1.34. On 7 June¹⁰ the Council adopted a Directive relating to the classification, packaging and labelling of dangerous substances¹¹ on which it had adopted a common position in December 1987.¹² This Directive, which forms the counterpart to the Directive of June 1967 relating to dangerous substances,¹³ is very important in several respects. At the industrial and commercial level, these preparations make up the great majority of the chemicals placed on the market. Community legislation of this kind will contribute to the more effective protection of man and the environment, while facilitating the attainment of the internal market by removing barriers to trade caused by different classification and labelling procedures.

2.1.35. On 2 June the Economic and Social Committee delivered its opinion on the proposal for a Directive relating to restrictions on the marketing and use of certain dangerous substances and preparations¹⁴ (→ point 2.4.40).

Foodstuffs

2.1.36. On 22 June the Council adopted an initial series of common positions regarding foodstuffs, in accordance with the new arrangements in this connection. They relate to endeavours to approximate the

¹ OJ L 147, 9.6.1975.

² OJ L 84, 28.3.1974.

³ OJ L 194, 28.7.1980.

⁴ OJ L 179, 17.7.1979.

⁵ OJ L 255, 18.9.1978.

⁶ OJ L 145, 11.6.1988.

⁷ OJ C 13, 17.1.1987; Bull. EC 12-1986, point 2.1.96.

⁸ Bull. EC 12-1987, point 2.1.189.

⁹ OJ L 15, 17.1.1987; Bull. EC 12-1986, point 2.1.195.

¹⁰ OJ L 187, 16.7.1988.

¹¹ OJ C 211, 2.8.1985; Bull. EC 7/8-1985, point 2.1.126.

¹² Bull. EC 12-1987, point 2.1.190.

¹³ OJ 196, 16.8.1967.

¹⁴ OJ C 117, 4.5.1988, Bull. EC 4-1988, point 2.1.15.

¹⁵ Bull. EC 11-1985, point 2.1.18.

laws of the Member States in the following areas:

(i) Materials and articles intended to come into contact with foodstuffs.¹ The aim of the Directive is to determine the sectors in which specific Directives are required and to define the procedures to be followed to this end.

(ii) Food additives authorized for use in foodstuffs intended for human consumption.² The aim of this Directive is to provide a basis on which to establish lists of authorized additives and conditions for their use.

(iii) Quick-frozen foodstuffs for human consumption.³ The aim of this Directive is to establish Community rules in this area which cover all the various stages involved, namely manufacture, storage, transport, distribution and retail sale.

2.1.37. On 13 June the Council adopted a Directive⁴ on extraction solvents used in the production of foodstuffs and food ingredients.⁵ The main object of this Directive is to draw up approved lists of authorized solvents either for general use or for use subject to compliance with certain specific conditions.

2.1.38. On 22 June the Council adopted a Directive⁶ on flavourings for use in foodstuffs and source materials for their production⁷ and also a Decision on the drawing up by the Commission of a list of raw materials and substances used in the preparation of flavourings. These two instruments will enable the Commission to embark on the phased introduction of rules governing the preparation of flavourings.

2.1.39. On 20 June the Commission transmitted to the Council a proposal⁸ for a Directive amending for the fifth time the 1974 Directive⁹ relating to emulsifiers, stabilizers, thickeners and gelling agents for use in foodstuffs. This proposal covers certain substances authorized until 31 December 1988 and recently reviewed by the Scientific Committee for Food.

2.1.40. On 9 June, following the delivery of an opinion by Parliament,¹⁰ the Com-

mission transmitted to the Council an amendment¹¹ of its proposal for a Directive on fruit juices and certain similar products.¹²

2.1.41. On 2 June the Economic and Social Committee delivered its opinion on the proposal for a Directive on the colouring matters that are authorized for use in foodstuffs intended for human consumption¹³ (→ point 2.4.41).

2.1.42. In accordance with the Council Directive of 15 July 1980 on the exploitation and marketing of natural mineral waters,¹⁴ the Netherlands,¹⁵ the United Kingdom¹⁶ and Ireland¹⁷ submitted to the Commission a list of recognized mineral waters.

Pharmaceutical products

2.1.43. On 22 June the Council adopted a common position on the proposal for a Directive relating to the transparency of measures regulating the pricing of medicinal products for human use and their inclusion within the scope of national health systems.¹⁸

¹ OJ C 124, 23.5.1986; Bull. EC 4-1986, point 2.1.10; OJ C 154, 12.6.1986; Bull. EC 5-1987, point 2.1.14.

² OJ C 116, 16.5.1986; Bull. EC 4-1986, point 2.1.10; OJ C 154, 12.6.1986; Bull. EC 5-1987, point 2.1.14.

³ OJ C 257, 6.10.1984; Bull. EC 9-1984, point 2.1.14; OJ C 267, 18.10.1985; Bull. EC 9-1985, point 2.1.11.

⁴ OJ L 157, 24.6.1988.

⁵ 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; Bull. EC 4-1988, point 2.1.11.

⁶ OJ L 184, 15.7.1988.

⁷ OJ C 144, 13.6.1980; Bull. EC 5-1980, point 2.1.7; OJ C 103, 24.4.1982; Bull. EC 4-1982, point 2.1.8; Bull. EC 4-1988, point 2.1.21.

⁸ COM(88) 322 final.

⁹ OJ L 189, 12.7.1974.

¹⁰ OJ C 122, 9.5.1988; Bull. EC 4-1988, point 2.1.24.

¹¹ COM(88) 319 final.

¹² OJ C 24, 31.1.1987; Bull. EC 12-1986, point 2.1.27.

¹³ OJ C 111, 28.4.1988; Bull. EC 4-1988, point 2.1.22.

¹⁴ OJ L 229, 30.8.1980.

¹⁵ OJ C 153, 11.6.1988.

¹⁶ OJ C 170, 29.6.1988.

¹⁷ OJ C 171, 30.6.1988.

¹⁸ OJ C 17, 23.1.1987; Bull. EC 12-1986, point 2.1.31; OJ C 129, 18.5.1988; Bull. EC 4-1988, point 2.1.27.

The aim of this Directive is to ensure equity and transparency in the operation of the national systems for control of the prices of medicinal products and the reimbursement of expenses by sickness funds by means of the introduction into Community legislation of a set of provisions regarding the time-limits for, and justification and publication of, administrative decisions as well as the information to be provided by the economic agents with a view to facilitating the detection of abuses and improving the operation of the internal market in this sector.

2.1.44. On 2 June the Economic and Social Committee approved the four proposals for Directives¹ on the approximation of the laws of the Member States relating to certain medicinal products not yet covered by the Council Directives on proprietary pharmaceutical products² (→ point 2.4.42).

Enterprise

Improving the business environment

2.1.45. On 30 June the Council adopted, on a proposal from the Commission,³ a resolution concerning the improvement of the business environment and action to promote the development of enterprises, especially small and medium-sized enterprises. This resolution follows up the points raised in the resolution of 3 November 1986⁴ and in the Commission communications on simplifying administrative procedures within the Community⁵ and on an enterprise policy for the Community.⁶ It starts with a commitment from the Council to create a favourable business environment and to promote small and medium-sized enterprises by pursuing a policy of reliance on market forces, simpler legislation, lower costs to firms of compliance with Community legislation, no duplication of the measures taken by the Member States, use of existing structures, more help for small firms from the structural Funds and the

Community's research and development programmes, special services for small firms at Community level, particularly channels of information and cooperation, exchanges of experience gained at national level, consulting management and labour, and taking account of the institutional and cultural diversity in the Community.

Next the Council welcomed the progress made by the Commission in implementing the small business action programme⁷ and urged the Commission to step up this work. It called for measures to tighten up the impact assessment exercise and stressed the need to simplify the regulations on taxation and company accounts and to improve the flow of information to small firms. It asked the Commission to bring forward a programme for the extension of the Euro-Info-Centre project⁸ after assessing the results achieved so far with the Member States. The Council expressed its support for the business cooperation network (BC-Net) project,⁹ and concluded that it should devote greater attention itself to small business policy.

Intellectual property

Patents

2.1.46. On 22 June the Council noted that, given the progress made on the outstanding problems regarding the content of the Community Patent Convention signed in Luxembourg on 15 December 1975,¹⁰ a further conference¹¹ of the governments of the 12 Member States would be convened in Lux-

¹ OJ C 36, 8.2.1988; Bull. EC 12-1987, point 2.1.18.

² OJ 22, 9.2.1965; OJ L 147, 9.6.1975.

³ COM(88) 317 final.

⁴ OJ C 287, 14.11.1986; Bull. EC 10-1986, point 1.3.1.

⁵ Bull. EC 4-1988, point 2.1.29.

⁶ Bull. EC 4-1988, point 2.1.28.

⁷ Bull. EC 2-1988, point 2.1.14.

⁸ Bull. EC 4-1987, point 2.1.18; Bull. EC 7/8-1987, point 2.1.23; Bull. EC 2-1988, point 2.1.21, Bull. EC 3-1988, point 2.1.27.

⁹ OJ C 224, 21.8.1987, Bull. EC 7/8-1987, point 2.1.24.

¹⁰ OJ L 17, 26.1.1976; Ninth General Report (1975), point 113; Bull. EC 10-1985, point 2.1.18.

¹¹ Bull. EC 12-1985, point 2.1.22.

embourg in the second half of the year to resolve the problems which conclusion of the Convention posed for Spain and Portugal and to finalize the text for entry into force on 31 December 1992.

Trade marks

2.1.47. On 22 June the Council adopted by a qualified majority a common position on the proposal for a first Directive to approximate the laws of the Member States relating to trade marks.¹

Copyright

2.1.48. On 14 June the Commission sent the Council and Parliament a Green Paper entitled 'Copyright and the challenge of technology — Copyright issues requiring immediate action'² (→ point 1.2.1 *et seq.*).

Economic and commercial law

2.1.49. As part of its policy to simplify Community legislation and reduce the obligations imposed on small firms,³ on 8 June the Commission adopted for transmission to the Council and Parliament amendments to the fourth Directive of 25 July 1978 on the annual accounts of certain types of companies and to the seventh Directive of 13 June 1983 on consolidated accounts. The amendments concern exemptions for small firms and publication of accounts in ECUs (→ point 2.1.126).

Public procurement

Public works contracts

2.1.50. In response to Parliament's opinion,⁴ on 20 June the Commission amended⁵ its proposal⁶ to amend the Council Directive of 26 July 1971 concerning the coordination of procedures for the award of public works contracts.⁷ These changes take account of the specific nature of public works contracts and of the improvements made by the Council Direc-

tive of 22 March⁸ amending the Directives of 21 December 1976⁹ and 22 July 1980¹⁰ on public supply contracts.

Excluded activities

2.1.51. On 22 June the Commission decided to transmit to the Council and Parliament two proposals for Directives on procedures for the award of public contracts — one covering water, energy and transport services,¹¹ the other telecommunications¹² (all excluded from the existing Directives) — together with a communication on the industrial and economic aspects of the proposals.¹³ Both proposals aim at introducing Community-wide competition for supply contracts worth over 200 000 ECU and public works contracts valued at over 5 million ECU awarded by contracting entities which are in the public sector or which operate on the basis of special or exclusive rights granted by the public authorities (putting them in a monopoly or oligopoly situation) and are consequently exposed to the danger that political pressures could be brought to bear on their procurement policies.

The activities concerned are: drinking water and electricity production, transport and distribution, gas and heat transmission and distribution, oil, gas and coal exploration and production, urban and non-urban public transport services by road and rail, airports, seaports or inland ports, and management of public service networks and selected telecommunications services.

¹ Supplement 5/80 — Bull. EC; OJ C 351, 31.12.1980; Bull. EC 11-1980, point 1.5.1 *et seq.*; OJ C 351, 31.12.1985; Bull. EC 12-1985, point 2.1.24.

² COM(88) 172 final.

³ Bull. EC 4-1988, point 2.1.29.

⁴ OJ C 167, 27.6.1988; Bull. EC 5-1988, point 2.1.22.

⁵ COM(88) 354 final.

⁶ Bull. EC 12-1986, point 2.1.35.

⁷ OJ L 185, 16.8.1971.

⁸ OJ L 127, 20.5.1988; Bull. EC 3-1988, point 2.1.26.

⁹ OJ L 13, 15.1.1977.

¹⁰ OJ L 215, 18.8.1980; Bull. EC 7/8-1980, point 2.1.20.

¹¹ COM(88) 377.

¹² COM(88) 378.

¹³ COM(88) 376.

Industrial strategy and services

Council

2.1.52. On 24 June the Council took note of the Commission's intention of bringing the quota system to an end for all steel products on 30 June and adopted conclusions on steel policy in which it advocates further examination of the social measures announced in the Commission's communication (→ point 2.1.53).

Steel

The Community steel industry

Crisis measures

Liberalization of the market (elimination of quotas)

2.1.53. In a steel policy paper communicated to the Council¹ the Commission took the view that the improvement in the market situation was such as to warrant deregulation for hot-rolled wide strip and cold-rolled sheet from 30 June. For heavy plate and heavy sections, it had been decided on 22 December 1987² that the quota system could be extended only if commitments were obtained to close down at least 75% of surplus capacity. The Commission now noted that the closures asked for would not be achieved and that quotas should therefore be eliminated for all products.

On 24 June the Council considered the Commission's communication and was informed that adequate guarantees of closure had not been received. It took note of the Commission's decision to end the quota system on 30 June. Nevertheless, the Council expected that the Commission would maintain its sources of specific information (statistics, forward programmes, consultations) so that it could help the industry to adjust to possible changes in demand and if necessary accompany the

adaptation process with additional measures under the ECSC Treaty.

The Council also expressed concern that the problems of the Italian State-owned steel industry had not yet been resolved and called on the Commission to give its opinion as soon as possible on the restructuring plan it recently received from the Italian Government.

After again stressing the need to adopt social measures² to accompany the process of restructuring,³ the Council stated that, once it had received the opinions of Parliament and the Economic and Social Committee, it would be prepared to examine the proposal for a Decision on the payment of a contribution from the general budget of the Communities to the ECSC to finance social measures connected with restructuring the steel industry (→ point 2.3.18). Like the Commission, the Council attached great importance to the flanking measures and supported the principles put forward by the Commission regarding foreign trade (→ point 2.2.11) and research.

2.1.54. Earlier, at its meeting on 20 and 21 June, the ECSC Consultative Committee adopted a resolution on the quota system (→ point 2.4.57).

Deliveries by Spain and Portugal

2.1.55. On 14 June the Commission put forward two draft Decisions for the Council's assent. The one sets at 1 100 000 tonnes for 1988 (as compared with 935 000 tonnes in 1987⁴) the amount of ECSC steel products of Spanish origin that may be delivered to the rest of the Community market, excluding Portugal, following the Commission authorization of the Spanish restructuring plan. The other Decision, at the request of the Portuguese authorities themselves, limits deliveries of steel prod-

¹ COM(88) 343 final.

² Bull. EC 12-1987, point 2.1.28.

³ OJ C 272, 10.10.1987; Bull. EC 7/8-1987, points 2.1.25 and 2.1.34.

⁴ OJ L 324, 14.11.1987; Bull. EC 11-1987, point 2.1.40.

ucts of Portuguese origin to the rest of the Community market, excluding Spain, to 100 000 tonnes (the same as in 1987¹).

Market situation

2.1.56. The figures for new orders published by Eurostat indicate a more buoyant situation in the Community. For March — the last month for which figures are available — the nine Member States which make returns (all except Greece, Spain and Portugal) showed an overall increase of 14%. For the whole first quarter of 1988 this gives an increase of 11.6% over the first quarter of 1987 — 12% in intra-Community orders and 9% in foreign orders.

Table 1 — *Orders received in the first quarter*

1 000 tonnes			
Community (Nine) ¹	Internal market	Non-Community countries	Total
1983	17 926	5 668	23 594
1986	18 474	4 026	23 500
1987	18 186	4 665	22 851
1988	20 424	5 087	25 511
Change 1988/87	+ 12.3%	+ 9%	+ 11.6%

¹ Greece, Spain and Portugal do not submit returns

Forward programme

2.1.57. On 3 June the Commission approved the forward programme for steel for the third quarter of 1988,² the ECSC Consultative Committee having delivered its opinion at its meeting on 20 and 21 June (→ point 2.4.57). According to the forward programme, steel demand in the Community should remain stable and Community crude steel production should be 31.5 million tonnes, compared with 29.34 million during the same period of 1987, while exports could reach 7 million tonnes and imports 2.3 million tonnes.

Shipbuilding

2.1.58. On 16 June Parliament adopted an opinion on the proposal for a Regulation instituting a specific Community programme of accompanying social measures to assist workers in the shipbuilding industry who are made redundant or threatened with redundancy (→ point 2.1.141).

Research and technology

Community R&TD policy

Council

2.1.59. On 29 June the Council formally adopted five new research programmes:

- (i) Drive (Dedicated road infrastructure for vehicle safety in Europe), a Community programme in the field of information technology and telecommunications applied to road transport (→ point 2.1.83);
- (ii) Delta (Development of European learning through technological advance) an exploratory Community project in the field of learning technologies (→ point 2.1.81);
- (iii) a programme of research and development in the field of applied metrology and chemical analyses (1988-92) for the Community Bureau of References (→ point 2.1.68);
- (iv) Science, a plan to stimulate the international cooperation and interchange needed by European research scientists (1988-92) (→ point 2.1.75);
- (v) a revision of the multiannual research action programme in the field of biotechnology (→ point 2.1.70);

The Council adopted a common position under the cooperation procedure, two common positions under the conciliation procedure and a resolution on the future work

¹ OJ L 324, 14.11.1987; Bull. EC 11-1987, point 2.1.40.

² OJ C 185, 15.7.1988.

of the Joint Research Centre (→ point 2.1.60);

It also adopted a common position under the conciliation procedure on the new multi-annual research and training programme in the field of controlled thermonuclear fusion and agreed in principle to a decision amending the Statutes of the Joint European Torus (JET) Joint Undertaking (→ point 2.1.72).

The Council took note of the communication from the Commission on reinforcing cooperation between Eureka and the Community and held a policy debate on the subject (→ point 2.1.66).

The Council also took note of the communication from the Commission on the dissemination and optimum utilization of research results.¹

The Council held an initial exchange of views on the communication from the Commission on high technology and pre-standardization (→ point 2.1.62).

Lastly, the Council held an initial exchange of views on the communication from the Commission 'Towards a programme of strategic measures in aeronautical research and technology in Europe' and took note of the Commission's intention to submit in the very near future a two-year pilot programme in this field (→ point 2.1.61).

Joint Research Centre (JRC)

2.1.60. On 29 June the Council reached a number of common positions on the restructuring of the activities of the JRC for the period 1988-91 in both the nuclear and non-nuclear fields,² namely:

(i) a common position under the cooperation procedure concerning the new specific JRC programmes (1988-91) based on the Euratom Treaty in the fields of radiation protection, nuclear measurements and technical standards and nuclear safety (fission energy and fusion energy); with overall funding of 448.3 million ECU, these programmes are designed to fit in the frame-

work programme of Community activities in the field of research and technological development (1987-91);³

(ii) a common position under the conciliation procedure on new specific JRC programmes (1988-91) based on the EEC Treaty, in the fields of the environment and advanced materials; with an overall funding of 251.7 million ECU, they too are designed to fit in with the main lines of the framework programme;

(iii) a resolution expressing the Council's overall agreement with the proposals for the reform of the JRC outlined by the Commission in its communication 'A new outlook for the Joint Research Centre';² one of the aims of these proposals is for the JRC to be given greater financial independence by continuing to carry out work for other Commission departments (worth an estimated 120 million ECU) or for outside bodies in the private or public sector (worth an estimated 130 million ECU); the effect of implementing these proposals in the private sector will be to strengthen the links between the JRC and the world of industry, other research centres and the European scientific community as a whole, particularly through the application of the customer/contractor principle; this will mean giving the JRC far more flexibility and greater autonomy in the management of the Centre;

(iv) a common position under the conciliation procedure on the new supplementary programme on the operation of the high-flux reactor at the Petten Establishment, to be implemented by the JRC with joint funding principally from the Federal Republic of Germany and the Netherlands.

The common position on non-nuclear research will be transmitted to Parliament under the cooperation procedure introduced by the Single European Act. The common positions on nuclear research and the

¹ Bull. EC 5-1988, point 2.1.45.

² OJ C 137, 27.5.1988; Bull. EC 10-1987, point 1.3.1 *et seq.*

³ OJ L 302, 24.10.1987; Bull. EC 9-1987, point 2.1.32.

HFR will be transmitted to Parliament for information in order to provide it with an overall picture of the Council's intentions with regard to the future activities of the JRC.

Aerospace

2.1.61. On 13 June the Commission sent the Council a paper entitled 'Towards a programme of strategic measures in aeronautical research and technology for Europe',¹ the purpose of which was to inform the Community institutions, national governments, the aircraft industry and aeronautical research agencies of the Commission's analysis of European solutions to the issues involved.

The aircraft industry is a key segment of the Community's industrial base. The industry has an annual turnover of some 30 billion ECU, half of which is accounted for by airframe construction. It employs just under half a million people (about half of them in the airframe sector, one third in equipment and one fifth producing aircraft engines) and contributes some 30% of the Community's export turnover. The work of this industry demands increasing progress in know-how and technology, a process which generates important spin-off benefits to other sections of industry. At present, the industry is performing successfully on both civil and military markets with a range of products which are highly competitive worldwide.

Its market share has grown from around 5% in the early 1970s to some 25% in the mid-1980s.

The need for cooperation between companies in the development and production of major aircraft has been recognized for many years and the practice is firmly established in Europe, the most notable illustration of this being Airbus Industrie.

However, despite these important achievements in adapting to a changing market and to the increasing sophistication of the product, the position of the industry is by

no means secure. Competition is very keen and nowhere more so than in the area of technology, which provides a vital basis for product competitiveness. The rate of advance of aeronautical technology is very rapid. This is stimulated not only by the direct competitive thrust of the world's largest companies and national governments but also by the formidable investments in defence R&D worldwide, which yield considerable dual-use benefits to civil product design and manufacture. At the same time, the sophistication — and hence the intellectual and financial effort — needed to make each major step is increasing. A competitive, state-of-the-art technology is certainly essential to the prospects of the European aircraft industry. However, the cost to individual companies of acquiring technology by their own research efforts has become unsustainable; and the alternative of buying technology under licence from the main external sources, the USA and Japan, is hardly feasible given that the buyers and sellers in such transactions will be in direct competition with each other. To overcome this threat the industry must be given a stimulus to extend cooperation at European level — already an established fact in development and production — to research and technology acquisition.

The Commission has examined this problem closely, with the help of a major study carried out in the industry. The conclusion is that the market opportunities open to the industry are good — an increase of about 40% in real terms in the average annual value of deliveries of aeroplanes and helicopters over the next 20 years compared with the average for the period 1980-86 — and that, if it can stay competitive, there are good prospects of the European industry holding on to its share of the world market.

The situation regarding regeneration of the technology base is less satisfactory: currently, the effective level of research and technology acquisition activity is not high enough to build up the base of new and

¹ COM(88) 294 final.

improved technologies which will be needed to allow the identified market opportunities to be grasped. If this shortfall and loss of trading opportunities are to be avoided, a considerable boost to research and technology acquisition is needed. The Commission has concluded that this must include a greatly enhanced level of competition in research and technology. The enhanced effort must be strategically focused upon key elements for the future technology base as defined by industry in the light of long-term product trends. It must also harness the whole range of aeronautical and related talents and interest throughout the Community, including those in universities and small businesses.

Standardization and technology

2.1.62. On 23 June the Commission sent the Council a communication on high technology and pre-standardization.¹ The purpose of this document was to emphasize the vital role of standardization in establishing a unified European market in order to demonstrate how the existing structures and procedures of European standards institutions can meet the requirements of advanced technology and facilitate the early transfer of research results to industry by means of standardization and pre-standardization activity.

Coordination of national policies

2.1.63. At its meeting in Brussels on 2 and 3 June, the Scientific and Technical Research Committee (Crest) delivered a favourable opinion on the Commission draft proposal for an R&TD programme in the field of science and technology applied to foodstuffs (Flair), which was designed to supplement action in the agro-industrial research sector (→ point 2.1.71).

The Committee also held an initial exchange of views on a second programme in the field of industrial manufacturing technologies and their applications to new materials (Brite — Euram) and approved in

principle the transition to phase three of the Eurotra machine translation programme.

With regard to the Commission's proposal for a specific programme on the dissemination and utilization of R&TD results,² the Committee was in favour of Community support for the establishment of communication networks between data-processing systems but had certain reservations about the general measures proposed. It recommended in particular that duplication with the Sprint programme³ should be avoided.

The Committee also endorsed a new R&TD programme in the field of non-nuclear energy (1989-92) to take over from the current programme (1985-88).⁴

In addition the Committee continued its examination of the future programme on the development of statistical expert systems (Doses). It also approved the report from its subcommittee on R&TD statistics concerning the public funding of R&D in the Member States during the period 1980-87, which highlighted a slowdown in the growth of government R&D spending — put at around 35 billion ECU in 1986 — and a marked drop in the proportion of this funding allocated to technology and university research for defence purposes.

International cooperation

COST

2.1.64. At its meeting on 22 and 23 June the COST Committee of Senior Officials discussed the opening up of access for countries other than those participating in COST to the supplementary programmes provided for in the Single European Act, with or without participation of non-member countries, and to concerted-action pro-

¹ COM(88) 314 final.

² Bull. EC 5-1988, point 2.1.45.

³ OJ L 153, 13.6.1987; Bull. EC 6-1987, point 2.1.56.

⁴ OJ L 83, 24.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

jects involving the Community and non-member countries.

The Committee was also told of the conclusions in the final report by the *ad hoc* Committee on Food Technology and of the proposed Flair programme (→ point 2.1.71).

2.1.65. A number of memoranda of understanding in respect of COST projects were signed in June: project 219 (Future telecommunications and teleinformatics facilities for disabled people) by Ireland, project 307 (Rational use of energy in transport) by France and Yugoslavia, project 74 (Use of strato-tropospheric radar for improved weather forecasting) by Spain, projects 308 (Ship maintenance management) and 73 (Weather radar networking) by Yugoslavia, project 220 (Communication protocols and user interfaces for keyboard and display equipment intended for telecommunications used by disabled people) by Sweden and project B2 (Quality assurance in nuclear medicine software) by Sweden and Germany.

Cooperation with Eureka

2.1.66. On 28 June the Commission sent the Council a communication¹ announcing its intention to reinforce cooperation between Eureka² and the Community. To achieve this goal it proposes measures in five areas:

- (i) establishing solid complementarity between Eureka and Community programmes in order to ensure continuity;
- (ii) helping to finance pre-competitive Eureka projects: the plan here is for direct participation by the JRC in consortia presenting Eureka proposals; funding, normally on a shared-cost basis, is possible for pre-competitive projects through the usual transparent selection procedures applying to the Community programmes concerned;
- (iii) making use of the scope offered by Articles 130l and 130m of the EEC Treaty, as amended by the Single European Act,³ which provide for the adoption of sup-

plementary programmes and for participation in order to widen the range of types of Community intervention and to ensure the necessary flexibility according to the various actions envisaged;

(iv) mobilizing private finance, in particular through the promotion of the Eurotech capital investment fund and a Community guarantee for risk insurance for advanced technology projects;

(v) improving the economic and business environment by completing the internal market, which will prevent the appearance of new technical barriers to trade and ensure the opening up of public procurement; in this connection the Commission will continue to collaborate closely with the EFTA countries.

Major areas of Community R&TD

Quality of life

Radiation protection

2.1.67. The first coordination meeting between officials responsible for the Community radiation protection programme⁴ and Atomic Energy of Canada Limited was held at Chalk River, Ontario, on 17 June under the Memorandum of Understanding on cooperation in this area between the Community and Canada.⁵ The meeting provided an opportunity to review the activities of both parties in the fields of dosimetry, the environment, biological effects and optimization of radiological protection, and to define joint research projects. Following these contacts, Community officials had a meeting in Ottawa on 18 June with officials from the Atomic Energy Control Board and the Department of

¹ COM(88) 291 final.

² Bull. EC 7/8-1985, points 2.1.210 and 2.1.211; Bull. EC 11-1985, point 2.1.182.

³ OJ L 169, 29.6.1987; Supplement 2/86 — Bull. EC.

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

⁵ Bull. EC 7/8-1987, point 2.1.52.

National Health (Radiological Protection Bureau).

From 20 to 22 June, within the framework of the Memorandum of Understanding between the Community and the USA,¹ a coordination meeting was held at Annapolis, Maryland, between officials responsible for the Community radiation protection programme and officials from the Office of Health and Environmental Research, US Department of Energy. This meeting provided an opportunity to review recent activities on both sides, with particular regard to post-Chernobyl measures, dosimetry, radiobiology of mammals, research on radon and atmospheric modelling.

Industrial technologies

2.1.68. On 29 June the Council adopted a Decision on a research and development programme in the field of applied metrology and chemical analyses (1988-92) for the Community Bureau of References² following the Parliament's approval on 15 June³ of the Council's common position.⁴

The appropriations needed for the programme are estimated at 59.2 million ECU, including expenditure on a staff of 32.

The aim of the programme is to improve the reliability of chemical analyses and physical measurement (applied metrology) so as to obtain consistent results in all Member States. The experimental work will be carried out under contract. Industrial bodies, research centres, laboratories or universities in Community countries may take part in the programme.

2.1.69. The Commission published a call for proposals to secure the participation of all interested bodies, public institutions and industry in the programme.⁵

Biological resources

Biotechnology

2.1.70. On 29 June the Council adopted a Decision revising the multiannual research

action programme in the field of biotechnology (1985-89)⁶ following Parliament's decision on 15 June³ on the Council's common position.⁷

The objectives of the revision of the programme — which was adopted in 1985⁸ — are: to extend to Spain and Portugal all the activities covered by the programme; to intensify the research efforts already under way in the sector of the programme that concerns the risks associated with modern biotechnology, and particularly with the deliberate release of genetically engineered organisms; to step up existing research in the field of information technology, especially the processing of data relating to culture collection, genome sequences and protein modelling; to increase the volume of existing activities (visits, publications, electronic networks, meetings, summer seminars, etc.) aiming at the timely dissemination of information about the programme and the research results obtained to all appropriate groups; to associate Community industry with research activities and utilization of the data, materials and methods resulting from the research work under contract; to conduct studies and pilot feasibility projects before embarking on biotechnology R&D activities in the Community for the period 1990-94 and to increase training activities in all parts of the current programme.

The appropriations estimated to be necessary to finance these additional efforts and extension of the programme have been increased from 55 to 75 million ECU, including expenditure on an additional staff of five.

¹ Bull. EC 7/8-1986, point 2.1.45.

² OJ C 304, 14.11.1987, Bull. EC 9-1987, point 2.1.43, COM(88) 357 final.

³ OJ C 187, 18.7.1988.

⁴ Bull. EC 4-1988, point 2.1.46.

⁵ OJ C 146, 3.6.1988.

⁶ OJ C 15, 20.1.1988, Bull. 10-1987, point 2.1.39; COM(88) 356 final.

⁷ Bull. EC 4-1988, point 2.1.47.

⁸ OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

Food technology

2.1.71. On 27 June the Council sent the Commission a proposal¹ for a multiannual research and development programme in food science and technology (1989 to mid-1993) (Flair).²

Europe's food industry, which accounts for some 10% of GDP, has a particularly complex and fragmented structure. The Community has some 23 750 food-processing firms with a workforce of more than 20, which provide employment for 2.5 million people. The vast majority operate on a small scale and tight margins, and therefore rely on national government and research establishments to provide them with the scientific and technical support they need to compete successfully in the marketplace.

Consultations with various national groups and representatives of the industry have revealed a strong consensus in favour of a Community initiative to complement what is being done at national level. The Flair programme is intended to be implemented via concerted-action and shared-cost projects. The concerted-action projects will be part of the COST cooperation exercise, while the shared-cost projects will be open to any universities, research institutes and industrial firms in the Member States or in non-member countries in Europe which have framework cooperation agreements with the Community. The programme also makes provision for training/mobility grants.

The programme covers three areas, for which the Commission has proposed an estimated budget of 25 million ECU: assessment and enhancement of food quality; food hygiene, safety and toxicological aspects; and nutrition and health aspects.

Energy

Fusion energy

2.1.72. On 29 June the Council adopted a common position on the proposal for a Regulation adopting a new research and

training programme in the field of controlled thermonuclear fusion³ for the period 1 January 1988 to 31 March 1992. The main objectives of this programme are to establish the physical and technological base necessary for the detailed design of NET (Next European Torus), to embark upon the detailed engineering design of NET before the end of the programme period but not before the next revision of the programme if the necessary data base exists by then, and to explore the potential of certain alternative configurations.

The total amount of the Community contribution to the funding estimated as being necessary is 735 million ECU (406 million ECU for the 'non-JET' programme and 329 million ECU for the JET programme).

The Council agreed in principle on a Decision amending the Statutes of the Joint European Torus (JET) Joint Undertaking, extending it until 31 December 1992.⁴

Non-nuclear energy

2.1.73. Under the R&TD programme on non-nuclear energy (1985-89)⁵ a major conference and exhibition on the subject of wind energy was held from 7 to 10 June at Herning, Denmark; this event, which was organized under the joint auspices of the Commission, the Danish Ministry of Energy and the European Wind Energy Association, attracted over 600 participants from all the Community countries and from many other parts of the world (USA, Argentina, China, India, etc.). The most recent developments in the exploitation of wind energy and the outlook in the short to medium term were reviewed.

The papers given at the conference included a presentation of the results of a study on the macroeconomic aspects of the generation of electricity by wind turbines in

¹ COM(88) 351 final.

² Food-linked agro-industrial research.

³ OJ C 247, 15.9.1987; Bull. EC 7/8-1987, point 2.1.55.

⁴ Bull. EC 7/8-1987, point 2.1.55.

⁵ OJ L 85, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

Europe and its implications for the environment, employment and so on. The study shows that wind energy is already fully competitive in countries such as the Federal Republic of Germany, where electricity generating costs are fairly high. Moreover, it is generally acknowledged that the advance of technology and large-scale production will make it possible to lower the cost of wind turbines in the future.

A detailed presentation was also given of all the activities in the wind energy section of the current Community R&TD programme on non-nuclear energy: European atlas of winds and methods for selecting wind turbine sites in hilly terrain; aerodynamic models, new materials — with their fatigue characteristics — designed to optimize wind turbine design; new design concepts to make components and systems more efficient, less noisy and cheaper.

A 2 MW wind turbine was inaugurated that had been built under the Community programme in cooperation with Denmark.¹

European scientific and technological cooperation

Researchers' Europe

2.1.74. In response to the opinion delivered by Parliament,² the Commission sent to the Council on 13 June an amendment³ to its proposal for a Regulation adopting a Community plan of support to facilitate access to large-scale scientific facilities of European interest.⁴

2.1.75. On 29 June the Council adopted a Decision adopting a plan to stimulate the international cooperation and interchange needed by European research scientists (Science) (1988-92)⁵ following Parliament's decision⁶ on 15 June on the Council's common position.⁷

The amount needed to carry out the stimulation plan is estimated at 167 million ECU, which includes expenditure on a staff of 18. The Community is to fund the total cost of the projects.

The overall aim of the stimulation plan is to improve the efficacy of scientific and technological research in all the Member States and to contribute thereby to the reduction of scientific and technical development disparities between the Community countries. It covers all fields of science and technology (the exact and natural sciences).

It has the following specific objectives: to promote training through research and, by means of cooperation, the better use of high-level researchers in the Community; to improve the mobility of research scientists from the Member States; to develop and support intra-European scientific and technical cooperation in quality projects; to encourage the establishment of intra-European cooperation and interchange networks with the aim of strengthening the Community's scientific and technical competitiveness and in so doing to promote economic and social cohesion.

The Commission will be responsible for administering the stimulation plan via research bursaries, research grants, subsidies for high-level training courses, contracts for the twinning of laboratories, and operations contracts including, where appropriate, equipment and supplementary measures. The Commission will be assisted in this task by the Committee for the European Development of Science and Technology (Codest) and by consultants.

The Commission is empowered under Article 130n of the EEC Treaty to negotiate agreements with international organizations, with countries participating in European scientific and technical research (COST) and with European countries that have concluded framework science and technology cooperation agreements with

¹ Bull. EC 12-1986, point 2.1.72.

² OJ C 167, 27.6.1988; Bull. EC 5-1988, point 2.1.39.

³ COM(88) 326 final.

⁴ Bull. EC 7/8-1987, point 2.1.62.

⁵ OJ C 14, 19.1.1988; Bull. EC 9-1987, point 2.1.51; OJ C 145, 2.6.1988; Bull. EC 3-1988, point 2.1.48; COM(88) 358 final.

⁶ OJ C 187, 18.7.1988.

⁷ Bull. EC 4-1988, point 2.1.52.

the Community with a view to associating them fully or in part with the programme.

Telecommunications, information industries and innovation

Telecommunications

Council

2.1.76. Telecommunications Ministers held their first formal Council meeting on 30 June. The Council approved a resolution on the development of a common market in telecommunications services and equipment by 1992 (→ point 2.1.77). It also reached certain conclusions with regard to future work on the opening up of public procurement in the telecommunications sector (→ point 2.1.51), the introduction of a standard Europe-wide emergency call number (→ point 2.1.21), high-definition television and the development of broadband links ('electronic highways') (→ points 2.1.78 and 2.1.79).

The Council also adopted a common position with regard to the forthcoming ITU World Administrative Telephone and Telegraph Conference (WATTC) to be held in Melbourne in November. Ministers agreed that Europe must prepare and defend common positions on the basis of a number of principles, in order to make its voice heard (WATTC is expected to lay down regulations for the future development of telecommunications worldwide).

Lastly, the Council examined a proposal for a Directive on electromagnetic compatibility.¹

Green Paper

2.1.77. On the basis of the Commission's Green Paper on the development of the common market for telecommunications services and equipment,² its communi-

cation on the implementation of the Green Paper³ and its proposal for a Council resolution,⁴ together with the Economic and Social Committee's opinions on the first two of these,⁵ the Council approved a resolution setting out the major objectives of a telecommunications policy. These are: the gradual creation of a Community-wide market for telecommunications services, especially value-added services; the development at Community level of an open market for terminal equipment enabling telecommunications administrations and other providers of services to compete on an equal basis; continued implementation of the Community measures in the field of common standards; the creation of a social environment conducive to the future development of telecommunications in line with the Community's objective of improving the economic and social situation by extending the common policies; a strengthening of European cooperation, particularly in research and development; full integration of the less-favoured areas into the emerging Community-wide market, which is one of the objectives of the STAR programme.⁶

High-speed links

2.1.78. On 23 June the Commission sent the Council a communication entitled 'Towards advanced telecommunications for Europe: developing the high-speed telecommunications links ('electronic highways') for the Community's 1992 market'.⁷ This is in response to the telecommunications action programme proposed by the Commission in 1984⁸ and successive proposals on this subject.

The paper invites the Member States and telecommunications administrations to

¹ OJ C 322, 2.12.1987; Bull. EC 11-1987, point 2.1.22.

² Bull. EC 6-1987, point 1.4.1.

³ Bull. EC 2-1988, point 2.1.43.

⁴ COM(88) 336 final.

⁵ OJ C 356, 31.12.1987; Bull. EC 11-1987, point 2.4.40, Bull. EC 4-1988, point 2.4.48.

⁶ OJ L 305, 31.10.1986; Bull. EC 10-1986, point 2.1.107.

⁷ COM(88) 341 final.

⁸ Bull. EC 5-1984, points 1.4.1 to 1.4.7.

make a firm commitment to the development of national and bilateral high-speed links so as to transform them into genuinely pan-European 'electronic highways' and proposes the setting up of a working group of experts from the Member States and the telecommunications administrations which, in consultation with the Group of Senior Officials on Telecommunications, would serve as a forum for discussion to compare national projects and programmes and identify the major pan-European axes, in order to be able to indicate which of the Community's national and international links could be declared to be of European interest, as proposed by the Commission.¹

High-definition television

2.1.79. On 20 June the Commission sent the Council a report on high-definition television,² which forms part of the audiovisual policy outlined by the Commission in March 1986.³

This report reviews progress in the field of new audiovisual technology standards. It covers the period since January 1986, when the Commission presented a proposal for a Directive on the adoption of common technical specifications of the MAC-packet⁴ family of standards for direct satellite television broadcasting.⁵ The Directive was adopted by the Council in November 1986.⁶

RACE

2.1.80. Recent work by the Commission under the RACE programme⁷ has concentrated mainly on the potential applications of integrated broadband communications. As a result of the ideas presented at a major workshop on applications of advanced communications in banking, the media, retailing and manufacturing industry, which was held in Brussels in April and attended by more than 150 representatives of European industry and commerce, the RACE workplan for application pilot schemes and for the development of a reference model has been defined. The plan was

approved by the RACE Management Committee of national delegates at their meeting in Berlin on 8 June.

Combined use of IT and telecommunications in general applications

Delta programme⁸

2.1.81. On 29 June the Council adopted, following a decision by Parliament⁹ on the Council's common position,¹⁰ a Decision for a Community action in the field of learning technologies (pilot phase of the Delta programme).¹¹ The Council's Decision concerns a two-year exploratory action with a contribution of 20 million ECU from the Community budget. This represents half the cost of the projects to be launched, the remainder being funded by project partners in the business, administration and academic fields. Delta projects require the participation of at least two independent partners in two different Member States. One of them must be an industrial enterprise. Partners may also be from EFTA countries, though they are not eligible for Community funding.

The aim is to exploit advances in information technology, telecommunications and broadcasting technologies to meet the demand for more flexible and open learning. Devices and technologies covered by the programme include more powerful processors, especially for image processing, larger-capacity and cheaper storage using

¹ OJ C 80, 27.3.1987; Bull. EC 12-1986, points 1.3.8 to 1.3.13; OJ C 40, 12.2.1988, Bull. EC 1-1988, point 2.1.2.

² COM(88) 299 final.

³ Bull. EC 3-1986, point 1.2.1 *et seq.*

⁴ Multiplexed analog components.

⁵ OJ C 59, 14.3.1986; Bull. EC 1-1986, point 2.1.37.

⁶ OJ L 311, 6.11.1986; Bull. EC 11-1986, point 2.1.53.

⁷ OJ L 16, 21.1.1988; Bull. EC 12-1987, point 2.1.71.

⁸ Development of European learning through technological advance.

⁹ OJ C 187, 18.7.1988.

¹⁰ Bull. EC 4-1988, point 2.1.56.

¹¹ OJ C 265, 5.10.1987; Bull. EC 7/8-1987, point 2.1.67, OJ C 146, 3.6.1988; Bull. EC 3-1988, point 2.1.52.

new data organization techniques, direct broadcasting by satellite, the integrated services digital network (ISDN), artificial intelligence, access by near-natural language, etc.

The Delta programme will focus on five lines of action:

- (i) construction of a learning system reference model which will also help with the planning and management of the programme;
- (ii) collaborative development of the technologies required for the three major phases of Delta;
- (iii) testing and validation on the basis of open facilities and selected experimental applications;
- (iv) efforts towards increased harmonization of numerous standards and practices which would otherwise permanently hamper the development and use of technologies, by stepping up current work in this area;
- (v) promoting favourable conditions for the development of learning technologies and their use in the context of multi-media 'open learning'; the proposed measures will include reducing entry costs for tutors and companies, and appropriate rules to facilitate the introduction of new learning support techniques.

2.1.82. A Delta proposers' day organized by the Commission department concerned on 24 June in Brussels showed that there is considerable interest in the subjects covered by Delta. Nearly 400 organizations attended, in addition to the 1 500 who attended a series of other Delta seminars in the Member States recently.

Drive programme¹

2.1.83. On 29 June the Council adopted, following a Decision by Parliament² on the Council's common position,³ a Decision on a Community programme in the field of information technology and telecommunications applied to road transport.⁴ This programme covers an initial period of three

years from 1 June 1988; the amount of funding estimated necessary to cover the Community's contribution is 60 million ECU. Partners in other EFTA countries, in particular the EFTA countries, will be able to participate once outline agreements on scientific and technical cooperation have been concluded with these countries, but they will not be eligible for Community funding.

The aim of the programme is to achieve significant reductions in traffic congestion, accidents and pollution by promoting the development and utilization of advanced systems in road transport. Drive will focus on the application of recent developments in telecommunications and IT to road traffic. European industry has already demonstrated its interest in the future application of new technologies to road transport in Eureka projects such as Prometheus, Carminat and Europolis. Drive will cooperate with and assist industry in its efforts to attain Europe-wide objectives, such as the establishment of common standards and guidelines for systems implementation. These standards will enable European industry to take advantage of economies of scale to build up its competitive position on world markets.

Consortia proposing to tender should comprise at least two independent organizations from different Member States, at least one of which should be an industrial enterprise.

AIM⁵

2.1.84. On 9 June the Commission sent the Council an amended proposal⁶ for a Decision on a Community action in the field of information technology and telecommunications applied to health care (AIM).⁷

¹ Dedicated road infrastructure for vehicle safety in Europe.

² OJ C 187, 18.7.1988.

³ Bull. EC 4-1988, point 2.1.57.

⁴ OJ C 355, 31.12.1987; Bull. EC 7/8-1987, point 2.1.68; OJ C 146, 3.6.1988, Bull. EC 3-1988, point 2.1.54.

⁵ Advanced informatics in medicine.

⁶ COM(88) 315 final.

⁷ OJ C 355, 31.12.1987; Bull. EC 7/8-1987, point 2.1.69.

One of its provisions is that the Commission will report on the results of the action to the Council and Parliament.

Caddia

2.1.85. On 3 June the Commission published a restricted invitation to tender¹ for a strategic study on the activities and objectives of the Caddia programme² in the context of the completion of the internal market by 1992.

Standardization

2.1.86. The Commission presented the CTS (conformance testing service) programme at the Enterprise Network Event held in Baltimore, USA, from 6 to 9 June.³ This event is regarded as a unique international exhibition on the subject of factory automation and communications. Its aim is to promote the development of products conforming to OSI (open systems interconnection) standards and to demonstrate their feasibility in a multimanufacturer computer environment by means of conformance testing.

The Community's CTS programme was widely publicized among the 7 000 visitors to the exhibition. Europe's contribution to the development of conformance testing equipment and services was particularly appreciated. It should generate a considerable increase in the demand for conformance-tested products.

2.1.87. The European Camac Association has published a guide to internationally recognized hardware interfaces. This manual deals with the factors to be considered in respect of software and hardware for the design of a system using bus interfaces. It is published by the Office for Official Publications of the European Communities as an EUR report (EUR 11079) and is available in English.

Dissemination and utilization of research results

2.1.88. The Commission's stand at the international exhibition on chemical engin-

earing and biotechnology 'Achema 88', held in Frankfurt from 5 to 11 June, attracted considerable interest. This was mainly due to the 10 inventions resulting from Community research selected for the exhibition, which included an oxygen analyser, a new process for the synthesis of heterocyclic compounds, a device for real-time monitoring of ammonia concentrations in industrial effluent, an automatic continuous-flow physico-chemical analyser for liquids and an instrument for measuring volatile organic solvents in water. The licensees for Community-owned research results who found industrial applications for these inventions were able to make numerous contacts at the 'Achema 88' stand and conclude a number of contracts.

Information services

Information market

2.1.89. On 7 June the Council approved a common position on the establishment at Community level of a policy and a plan of priority actions for the development of an information services market.⁴ The Council, acknowledging the importance of this initiative, already endorsed by Parliament,⁵ approved funding amounting to 36 million ECU.

The work programme covers the gathering of a body of quantitative and qualitative information on the development of the information market, the removal of technical, legal and administrative barriers, improvement of the conditions for transmitting and accessing information services, achievement of a synergy between the public and private sectors, the launching of pilot and demonstration projects and the preparation of specific measures for libraries and user support activities.

¹ OJ C 146, 3.6.1988.

² OJ L 145, 5.6.1987; Bull. EC 6-1987, point 2.1.55.

³ Bull. EC 2-1988, point 2.1.47.

⁴ OJ C 249, 17.9.1987; Bull. 7/8-1987, point 2.1.71; OJ C 30, 4.2.1988; Bull. EC 1-1988, point 2.1.32.

⁵ OJ C 13, 18.1.1987; Bull. EC 12-1987, point 2.1.75.

Dismantling of language barriers

2.1.90. The Commission decided to extend for nine months a project started in 1987¹ involving the gathering of data on technological developments in Japan and translating and forwarding this information to interested European bodies. The project, which originally involved five countries, has been expanded to include all the Member States.

Customs union and indirect taxation

Customs union

Simplification of customs formalities

Introduction of common border posts

2.1.91. Parliament having given its opinion,² on 22 June the Council adopted a common position on the proposal for a Regulation on the abolition of exit formalities at internal Community frontiers — introduction of common border posts.³

International conventions

2.1.92. On 23 June the Council, acting on a proposal from the Commission,⁴ adopted a Regulation⁵ concerning the application of Decision 1/88⁶ of the EEC-EFTA Joint Committee amending Appendices I, II and III to the Convention of 20 May 1987 on a common transit procedure.⁷

General legislation

Community customs territory

2.1.93. On 22 June the Council adopted a common position on a proposal for a Regulation laying down the provisions applicable to goods brought into the customs territory of the Community.⁸ This

transforms into a regulation the Council Directive of 30 July 1968 on the harmonization of provisions laid down by law, regulation or administrative action relating to customs treatment of goods entering the customs territory of the Community and the temporary storage of such goods,⁹ updating the provisions where necessary and incorporating amendments dictated by subsequent experience and the development of the customs union (→ point 2.1.96).

Customs debt

2.1.94. On 22 June the Council adopted a common position with a view to adopting a Regulation amending the Regulation of 13 July 1987 on customs debt.¹⁰ The amendment became necessary following the Council's adoption of the Regulation on free zones and free warehouses (→ point 2.1.96), which makes the consumption or use of non-Community goods in such zones or warehouses subject to more or less the same rules as those obtaining in the rest of the customs territory. A customs debt will thus be incurred when goods liable for import duties are consumed or used in a free zone or free warehouse in circumstances other than those for which the existing rules provide. The Commission's original proposal¹¹ for the Regulation on customs debt provided that a debt would be incurred in such circumstances in a free zone, but the Council decided when adopting that Regulation that the provision should be held over pending the outcome of the examination of the proposed Regulation on free zones.¹²

¹ Twenty-first General Report, point 365.

² OJ C 156, 15.6.1987; Bull. EC 5-1987, point 2.1.55.

³ OJ C 282, 8.11.1986; Bull. EC 10-1986, point 2.1.56.

⁴ Bull. EC 5-1988, point 2.1.51.

⁵ OJ L 162, 29.6.1988.

⁶ Bull. EC 1-1988, point 2.1.33.

⁷ OJ L 266, 13.4.1987; Bull. EC 6-1987, point 2.1.59.

⁸ Bull. EC 12-1985, point 2.1.49.

⁹ OJ L 194, 6.8.1968.

¹⁰ OJ L 201, 22.7.1987; Bull. EC 7/8-1987, point 2.1.73.

¹¹ OJ C 261, 29.9.1984; Bull. EC 9-1984, point 2.1.24.

¹² OJ C 283, 6.11.1985; Bull. EC 10-1985, point 2.1.41.

Accession to European conventions

2.1.95. On 8 June the Commission sent the Council a recommendation¹ for a Decision approving the amendments to the Protocol to European Agreement No 39 on the exchange of blood-grouping reagents.²

Customs procedures with economic impact

Customs warehouses, free zones and free warehouses

2.1.96. On 22 June the Council approved the substance of two Regulations, one on customs warehouses and the other on free warehouses and free zones.³ These, together with the Regulation on goods brought into the customs territory (→ point 2.1.93), form a set of measures regulating the storage of goods. Replacing directives dating from 1968 and 1969⁴ by provisions directly applicable in the Member States, they mark a further important step towards completion of the external aspect of the single market.

Inward processing

2.1.97. On 15 June the Commission adopted a Regulation⁵ amending that of 1 September 1987 derogating from the prohibition on the use of equivalent compensation for durum wheat,⁶ in order to allow the customs authorities, where necessary, to extend the time-limit for presentation of the P1 certificate showing that the pasta made from the wheat has been released for home use in the USA.

2.1.98. On 22 June the Commission adopted a Regulation⁷ amending the Council Regulation of 22 November 1986⁸ laying down provisions for the implementation of the Regulation of 16 July 1985 on inward processing relief arrangements.⁹ The new Regulation is designed to supplement the existing provisions and simplify use of the arrangements.

Inward processing and standard exchange

2.1.99. On 30 June the Council adopted a Regulation concerning triangular traffic under the outward processing relief arrangements and the standard exchange system.¹⁰ It lays down rules for the reimportation of finished products into a Member State other than that from which they were temporarily exported for processing.

Origin

2.1.100. On 13 June the Council approved a proposal¹¹ for a Decision by the EEC-EFTA Joint Committees modifying Protocol No 3 concerning the definition of the concept of 'originating products' and methods of administrative cooperation¹² in order to simplify the cumulation rules. The new rules allow unrestricted use by both sides of materials originating within the free-trade area, and in line with the 1984 Luxembourg Declaration¹³ they will help strengthen industrial cooperation between the Community and the EFTA countries.

Indirect taxation

Tax exemptions

2.1.101. On 13 June, acting on a proposal from the Commission,¹⁴ the Council

¹ COM(88) 278 final.

² OJ L 37, 7.2.1987, Bull. EC 1-1987, point 2.1.146; Bull. EC 3-1987, point 2.1.63.

³ OJ C 283, 6.11.1985; Bull. EC 10-1985, point 2.1.41; OJ C 154, 20.6.1986; Bull. EC 6-1986, point 2.1.72.

⁴ OJ L 58, 8.3.1969.

⁵ OJ L 150, 16.6.1988.

⁶ OJ L 251, 2.9.1987; Bull. EC 9-1987, point 2.1.61.

⁷ OJ L 156, 23.6.1988.

⁸ OJ L 351, 12.12.1986; Bull. EC 11-1986, point 2.1.67.

⁹ OJ L 188, 20.7.1985; Bull. EC 7/8-1985, point 2.1.40.

¹⁰ OJ L 174, 6.7.1988.

¹¹ Bull. EC 5-1988, point 2.1.55.

¹² OJ L 323, 11.12.1984; Bull. EC 10-1984, point 2.1.41.

¹³ Bull. EC 4-1984, point 1.2.1 *et seq*

¹⁴ OJ C 53, 28.2.1987; Bull. EC 1-1987, point 2.1.40; Bull. EC 5-1987, point 2.1.57.

adopted a Directive¹ amending that of 28 March 1983² determining the scope of Article 14(1)(d) of the Directive of 17 May 1977 (Sixth VAT Directive)³ as regards exemption from value-added tax on the final importation of certain goods. The exemption applies to imports either from non-member countries or from other Member States. The amended version has been aligned on the Regulation of 3 May⁴ which introduces relief from customs duty for imports of certain goods from non-member countries.

Competition

Seventeenth Report on Competition Policy

2.1.102. On 2 June the Commission presented its *Seventeenth Report on Competition Policy*,⁵ transmitting it on 30 June to the Council, Parliament, the Economic and Social Committee and the Court of Justice.⁶ The Report is published in conjunction with the *Twenty-first General Report on the Activities of the European Communities*. As in previous years, the report outlines developments in Community competition policy during the past year.

In 1987 the Commission continued its drive to preserve and enhance competition within the common market through its examination and control of State aid, public enterprises, State monopolies, restrictive agreements and abuses of dominant positions, which work to the detriment of both the consumer and most of private industry.

As the programme for the completion of the internal market gains momentum, the key importance of competition is increasingly being recognized. This is widely reflected both in the economic and industrial policies of the Member States and in the new emphasis on competition rules even in Member States which hitherto did not have a well-developed legislative and policy framework in this field. There is an increasing awareness among the general public that

the lack of an effective competition policy entails substantial costs, it being the taxpayer who pays for unjustified State subsidies and the consumer who is hurt by higher prices and lower efficiency. Given that 1987 was a year of slow growth (no more than 2.2% in real terms for the Community) and continuing high unemployment (almost 12% of the working population), the Community must decide what contribution its competition policy is to make to the attainment of the major economic objectives of promotion of a strategy of cooperation directed towards growth and job creation, strengthening of economic and social cohesion and completion of the internal market in 1992.

By this deadline, certain gaps which still remain in this Community policy must be filled in. The Commission pursued this aim in 1987 in four main areas:

- (i) air transport, where the measures adopted⁷ enable it to implement a competition policy which is more closely attuned to the policy applied in other sectors;
- (ii) prior control of mergers: the generally favourable attitude of the Council⁸ towards the broad lines of the approach proposed by the Commission in this field⁹ enabled the latter to present an amended proposal¹⁰ in March of this year;
- (iii) franchise agreements in the field of distribution and services, on which the Commission has presented a proposal for a block exemption regulation;¹¹

¹ OJ L 151, 17.6.1988.

² OJ L 105, 23.4.1983; Bull. EC 3-1983, point 2.1.44.

³ OJ L 145, 13.6.1977.

⁴ OJ L 123, 17.5.1988; Bull. EC 5-1988, point 2.1.54.

⁵ Available from the Office for Official Publications of the European Communities, L-2985 Luxembourg. The last report was reviewed in Bull. EC 7/8-1987, point 2.1.89.

⁶ COM(88) 232 final.

⁷ OJ L 374, 31.12.1987; Bull. EC 12-1987, point 2.1.280.

⁸ Bull. EC 11-1987, point 2.1.92.

⁹ OJ C 92, 31.10.1973; OJ C 36, 12.2.1982; Bull. EC 12-1981, point 2.1.31; OJ C 51, 23.2.1984; Bull. EC 2-1984, point 2.1.42.

¹⁰ OJ C 130, 19.5.1988; Bull. EC 3-1988, point 2.1.59.

¹¹ OJ C 229, 27.8.1987; Bull. EC 6-1987, point 2.1.72.

(iv) know-how licences, in connection with which steps have been taken to adopt block exemption regulations.¹ The ground was prepared in 1987 for the adoption by the Commission of directives to liberalize telecommunications markets.²

General rules applying to businesses

Control of company mergers

2.1.103. On 20 June the Council, as on a previous occasion,³ adopted a favourable attitude towards the approach proposed by the Commission to the control of Community-wide mergers.⁴ A consensus was reached on the following points:

(i) the principle of the introduction of control of mergers with a Community dimension, this being of particular importance for the completion of the large market in 1992;

(ii) that as far as possible decisions by the Community bodies must take precedence over national decisions; the Permanent Representatives Committee is to be invited to consider to what extent the legitimate interests of the Member States may be safeguarded;

(iii) that all mergers with a Community dimension must be notified prior to their taking place, on the understanding that the time between the notification and the decision must be as short as possible; the Permanent Representatives Committee is to be instructed to examine the question of the conditions under which a merger could take place before the end of the examination procedure;

(iv) that the decisive criterion for prohibiting a merger with a Community dimension will be the creation of a position on the European market which impedes effective competition; a substantial change in the competitive structure should not be a ground for further examination.

2.1.104. On 2 June the Economic and Social Committee delivered its opinion on

the amended proposal⁵ for a merger control Regulation⁶ (→ point 2.4.43).

Regulation providing for block exemption for franchise agreements

2.1.105. On 16 June Parliament adopted a resolution⁷ on the draft Commission Regulation on the application of Article 85(3) of the Treaty to categories of franchise agreements.⁸ It is all the more favourably disposed towards the draft as it considers that franchise agreements encourage the development of small businesses. It takes the view, however, that separate measures should be adopted on industrial franchises, that franchisors should be better protected against certain types of conduct on the part of franchisees and that the scope should be more clearly defined. It also wants the exemption provided for to apply throughout the duration of the agreement, it being possible, however, to withdraw it in cases where there are concerted practices between franchisors and franchisees involving recommended prices.

Lastly, Parliament calls upon the Commission to prepare a directive on the wider problems posed by franchise agreements, dealing not just with competition policy aspects, but also with other legal aspects such as the interests of franchisors and franchisees and with consumer protection.

Regulation providing for block exemption for know-how licensing agreements

2.1.106. Again on 16 June Parliament adopted a resolution⁷ on the draft Com-

¹ OJ C 214, 12.8.1987; Bull. EC 5-1987, point 2.1.68.

² OJ L 131, 27.5.1988; Bull. EC 5-1988, point 2.1.59.

³ Bull. EC 11-1987, point 2.1.92.

⁴ OJ C 92, 31.10.1973; OJ C 36, 12.2.1986; Bull. EC 12-1981, point 2.1.31; OJ C 51, 23.2.1984; Bull. EC 2-1984, point 2.1.42; OJ C 324, 17.12.1986; OJ C 130, 19.5.1988; Bull. EC 3-1988, point 2.1.59.

⁵ OJ C 130, 19.5.1988; Bull. EC 3-1988, point 2.1.59.

⁶ OJ C 92, 31.10.1973; OJ C 36, 12.2.1982; Bull. EC 12-1981, point 2.1.31; OJ C 51, 23.2.1984; Bull. EC 2-1984, point 2.1.42; OJ C 324, 17.12.1986.

⁷ OJ C 187, 18.7.1988.

⁸ OJ C 229, 27.8.1987; Bull. EC 6-1987, point 2.1.72.

mission Regulation on the application of Article 85(3) to certain categories of know-how licensing agreements.¹ After noting that the increase in the number of know-how agreements confers on them an economic value comparable to that of patents, Parliament approves the fact that the Commission has worked with the professional circles concerned with a view to drawing up a block exemption regulation which should provide legal certainty for the dissemination of know-how. While it calls for the scope of the draft Regulation to be widened to include all know-how agreements which the licensee considers sufficiently crucial for his activities, it considers it unrealistic, in the case of reciprocal notification of improvements, to impose on the licensor the requirement that he cease to use such improvements once the licensee himself ceases to use the original know-how. Similarly, Parliament considers excessive the option available to the Commission of withdrawing the benefit of the Regulation on the grounds that the licensee refuses, without an objectively valid reason, to meet orders. Subject to these reservations, it approves this Commission initiative, the chief aim of which must be to encourage technological development in the Community.

Restrictive practices, mergers and dominant positions: specific cases

Industrial and commercial property: copyright

Plastic Omnium/GKM

2.1.107. In June the Commission took action against a price maintenance clause in a patent licensing agreement and against a system designed to partition a national market on the strength of the exercise of the patents and the *de facto* authority of a quality label. The Commission was acting on a complaint by the French firm Plastic Omnium and its German subsidiary of the same name against the German firms Otto KG, Sulo Eisenwerk, SSI Fritz Schäfer and

Rheinwerk Meisenberg und Ahleff, and against the Gütegemeinschaft Kunststoff-Müllgrossbehälter (GKM) group set up by those firms for the manufacture of large-capacity plastic containers for the removal of refuse. GKM had acquired, for the manufacture of 120 and 240-litre containers, the right to use the 'K' quality label, which was registered as a collective mark and which covered among other things the strength and durability of the plastics used and the reliability of the mechanism for lifting and emptying the containers. When tenders were invited in the Federal Republic of Germany at the beginning of the 1980s for refuse collection, the authorities often expressly stipulated that the equipment sought must bear the 'K' label, or if not then at least laid down equivalent conditions. To gain a better foothold on the German market, Plastic Omnium concluded with Otto KG a preliminary licensing agreement covering the main patents. but this was soon terminated by the licensor on the ground that Plastic Omnium was not adhering to the minimum price it wished to charge. The Commission reminded the firms concerned that a minimum price clause was unacceptable and that a member of a group such as GKM should not be prevented from having other technical specifications approved. Once agreements meeting the Commission's requirements had been concluded, the file on the case was closed.

State aid

Draft White Paper on State aid

2.1.108. On 8 June the Commission carried out a preliminary examination of a draft memorandum on the preparation of the White Paper on State aid. The provisional results of the study show that in 1986 the volume of State aid in the Community was equivalent on average to 3% of GDP or 9% of public expenditure. Agriculture, railways and coal are the most

¹ OJ C 214, 12.8.1987; Bull. EC 5-1987, points 2.1.68 and 2.1.69.

heavily aided sectors in most Member States. In manufacturing industry, State aid represents some 6% of value added. In most Member States, expenditure on aid exceeds the amount of corporation tax paid by companies.

After noting the interim nature of these results, the Commission decided that it would request additional information on agriculture, energy and transport, consult the Member States on the report's findings and discuss the study again in the autumn.

General schemes

Energy

Netherlands

2.1.109. On the same day the Commission decided to raise no objections to an amendment made by the Dutch Government to a scheme aimed at promoting the development of alternative sources of energy.

The purpose of the amendment is to include in the scheme, which was previously approved by the Commission,¹ a further category of eligible projects in the fields of combined heat/electricity generation, solar energy installations and improvement of lighting installations. The budget is increased by 30 million ECU to finance this new project category. The Dutch Government has also decided to reduce after 1988 the intensity of the aid for developing wind turbines from 70 to 50%.

Environment

Federal Republic of Germany

2.1.110. Also on 8 June the Commission gave the go-ahead for a scheme, notified by the German Government and introduced by the State of North-Rhine Westphalia, to bring about a reduction in, and encourage the recycling of, waste. The aim of the scheme is to eliminate or reduce significantly the production of waste, in particular noxious waste, facilitate the utilization or recycling of waste, either in the form

of raw materials or for the production of energy, and help develop methods of reducing and recycling waste.

The aid takes the form of soft loans to firms with fewer than 500 employees and an annual turnover of less than 96 million ECU and of which not more than one-third of the capital is held by other enterprises exceeding these limits. The scheme has a budget of 2.4 million ECU.

Denmark

2.1.111. On 22 June the Commission approved an environmental protection scheme notified by the Danish Government. The aid will be in the form of grants of up to 15% of the cost to firms of installing water purification plants designed to reduce the level of nitrate and phosphate pollution. The scheme will have a budget of 2.5 million ECU for 1988 and 5 million ECU for 1989. After 1989, the scheme will be subject to review in the light of experience gained.

Research and development

Federal Republic of Germany

2.1.112. The Commission decided at its 8 June meeting not to object to a plan by the Saarland authorities to set up a scheme entitled 'Programme of aid for the development of new technologies'. The programme, which is to be provided with an annual budget of 1.2 million ECU, involves applied research and development by small businesses.

The aid will be in grant form and may not exceed 40% of eligible expenditure, with a maximum of 200 000 ECU per firm.

Italy

2.1.113. On 22 June the Commission decided not to oppose the award by the Italian Government of aid in the form of grants and soft loans towards the cost of

¹ Bull. EC 10-1986, point 2.1.70.

research by two Olivetti subsidiaries, Olteco Telecomunicazioni and OCN/PPL.

The research is to be carried out into new interconnection systems for automated office equipment and into factory automation systems. The cost of the projects is put at 37 and 31 million ECU. After notifying its intentions, the Italian Government reduced the aid intensity to 35 and 37% of these amounts.

In adopting a favourable attitude, the Commission took account of the relevance of the projects to Community programmes such as Esprit,¹ RACE² and Eurolab, the general need to improve the Community's competitiveness in the sectors in question and the fact that the research will be partly carried out in the Mezzogiorno.

Regional aid

Portugal

2.1.114. On 1 June the Commission agreed to the Portuguese authorities' raising from 37% to 49.4-53.5% (net grant equivalent) the maximum intensity of aid for investment and job creation in the Setubal region, in view of the problems of industrial decline in that region associated with the steel, shipbuilding and metalworking industries.

In 1987 the Commission approved two regional aid schemes designed to stimulate investment in industry³ and tourism.⁴

National aid to develop the Setubal area is being complemented by a variety of Community measures. A Regional Fund 'national programme of Community interest' was approved for a four-year period in 1987. Setubal should also benefit under the Renaval programme, now before the Council (→ point 2.1.152), and discussions are currently under way on an integral development operation which will provide an overall framework for assistance under the various Community structural Funds.

Federal Republic of Germany

2.1.115. On 22 June the Commission approved DM 3.38 million (1.64 million ECU) worth of regional aid to the German synthetic fibre producer Faserwerk Bottrop GmbH to help it diversify into the production of polypropylene and polyethylene very fine titre stable fibre and non-wovens. It has only recently become possible to produce such very fine fibres commercially and the market for them (medicine, hygiene and personal care) is expanding rapidly.

Since the synthetic fibre industry continues to be a sensitive one, subject to excess capacity, the Commission has since 1977 operated a strict discipline⁵ on all aid which has the effect of increasing capacity in products which are already in over-supply, thereby adding to the industry's problems. However, the Faserwerk Bottrop investment will be in a growing market segment and will not have any impact on the traditional clothing and textile outlets for synthetic fibres. The Commission therefore concluded that aid for this project will not harm other producers of competing polypropylene synthetic fibres in the Community because they serve different markets which will remain unaffected by the aid.

A new plant will be built in Bottrop in the northern Ruhr, an area of industrial decline and high unemployment, which has been approved by the Commission as eligible for regional aid. The aid will contribute to the resolution of the social and regional difficulties of the area by reducing unemployment through job creation.

Industry schemes

Aircraft manufacture

Netherlands

2.1.116. On 8 June the Commission authorized under the EEC Treaty an aid

¹ OJ L 67, 9.3.1984; Bull. EC 2-1984, point 1.3.1 *et seq.*; OJ L 118, 6.5.1988; Bull. EC 4-1988, point 2.1.54.

² OJ L 16, 21.1.1988; Bull. EC 12-1987, point 2.1.71.

³ Bull. EC 3-1987, point 2.1.76.

⁴ Bull. EC 4-1987, point 2.1.64.

⁵ OJ C 183, 11.7.1987; Bull. EC 4-1987, point 2.1.63.

package put together by the Dutch Government to assist the aircraft manufacturer Fokker. The package includes an additional aid payment in the form of 47 million ECU worth of loans to help the firm complete the R&D work on its two latest aircraft. The Commission considered that, in view of its objectives, form and intensity, the aid could be deemed compatible with the common market in the light of Article 92(3)(c) of the Treaty. The Dutch Government has also decided to buy a 49% stake in the company. The Commission concluded that the acquisition of such a shareholding, which took place under normal market conditions, could be considered—particularly in the light of the position taken by the Commission in 1984 on public shareholdings¹—as corresponding to the behaviour of a provider of risk capital under normal market economy conditions.

Shipbuilding

Federal Republic of Germany

2.1.117. Likewise on 8 June the Commission approved the capital injections which the shareholders of the publicly owned shipyard Howaldtwerke Deutsche-Werft of Kiel, Schleswig-Holstein, had made to offset the company's losses. The Commission found, in view of the yard's financial circumstances, that these capital injections constituted State aid but that their intensity was lower than the 28% stipulated in the sixth Directive.²

Germany and the Netherlands

2.1.118. Shipyards in Germany and Holland are competing for an order to build 6 to 8 coastal vessels for a German shipowner. Article 4(5) of the sixth Directive² provides for prior notification of individual aid proposals where two or more Community yards are competing for the same order. The Commission has indicated that in such cases it will usually only authorize the lower aid level unless it can be demonstrated that a higher aid level (below 28%) is necessary

to keep the order in the Community. In the present case the Dutch authorities are proposing the lower aid level (2.9% of the contract value before aid) and have tendered a lower price than the German yard, for which a higher aid level (16.6%) is proposed. Despite the existence of a lower bid from a third-country shipyard, the Commission has concluded that it is not necessary to authorize the higher aid level since the Dutch price with the lower aid level is below the German price. It has therefore decided to authorize the Dutch aid proposal and initiate Article 93(2) proceedings against Germany in order to bring the German aid proposal into line with the lower Dutch level.

United Kingdom and Germany

2.1.119. The sixth Directive on aid to shipbuilding² provides that aid related to shipbuilding granted as development assistance to a developing country is not subject to the production aid ceiling. However, each individual case has to be notified to the Commission, which ensures that the aid complies with the OECD terms for such aid and verifies the development content of the aid.

In accordance with these criteria and provisions, the Commission has decided to approve the following two aid proposals. First, the UK Government proposes to make a gift of a passenger/cargo vessel to the island of St Helena to replace a 25-year-old vessel which up to now has operated between the UK and St Helena. The vessel will be built by Hall Russell Ltd. Secondly, the German Government is proposing to give a 30% grant towards the cost of building five shrimp trawlers to help the Mauritanian fishing industry, which accounts for 20% of Mauritania's GDP.

¹ Bull. EC 9-1984, points 2.1.30 and 3.5.1.

² OJ L 69, 12.3.1987; Bull. EC 12-1986, point 2.1.122, Bull. EC 1-1987, point 2.1.49.

Newsprint

Italy

2.1.120. On 22 June the Commission terminated the Article 93(2) proceedings it had initiated in July 1987¹ in respect of the aid to Italian newsprint producers provided for under Act 67/87 on newspapers and publishing.

In the course of the proceedings, the Italian Government had amended the scheme and furnished additional information, allaying the Commission's fears about the scheme's possible effects on the newsprint industry.

The Commission nevertheless noted that the Italian Government had refused to answer specific questions relating to the parafiscal levy on paper on the ground that the proceedings were concerned only with Act 67/87. It therefore decided that same day to initiate Article 93(2) proceedings in respect of the assistance to the newsprint industry financed out of the proceeds from the parafiscal levy. The Commission is concerned that this assistance might have enabled Italian newsprint producers to charge prices way above the market price.

Steel

2.1.121. On 15 June the Commission decided to extend the proceedings opened on 4 May under Article 88 of the ECSC Treaty against the Italian Government with regard to State aid to Finsider to cover the public guarantee on all of Finsider's current debts as well as those incurred during the ongoing liquidation procedure.²

This development in the proceedings became necessary following the announcement by the public holding company IRI, Finsider's main shareholder, that it would guarantee all of Finsider's debts. The Commission maintains that this guarantee can ultimately only be covered by public funds, and that such a financial arrangement is to be considered State aid contrary to Article 4(c) of the ECSC Treaty.

Aid to cover Finsider's losses could be granted only by means of a decision under Article 95 of the ECSC Treaty authorizing a derogation from the general prohibition on operating and investment aid to the steel industry. Such a decision would require the unanimous agreement of all Member States. A key element in any such proposal will be the Finsider restructuring plan, which is to be submitted shortly to the Commission. Once the plan has been examined by the Commission, discussions will take place on the follow-up to the Article 88 procedure and on the content and timing of a possible Article 95 proposal to the Council.

France

2.1.122. On 24 March 1987 the Commission took a negative decision against French aid to Usinor-Sacilor which had been paid to the steel group to help it overcome difficulties in a number of its non-steelmaking subsidiaries.³ Since the aid (worth FF 3 147 million) had been paid illegally, the Commission ordered its repayment. The French authorities have lodged an appeal against this decision before the Court of Justice.

In February, the French authorities notified the Commission of their intention to grant FF 3 236 million to six Usinor-Sacilor subsidiaries. This aid will be paid only if the previous aid is withdrawn. Thus the proposed aid is regarded by the French authorities as replacement aid and there is no question of combining it with the previous illegal aid. Since the subsidiaries operate in sensitive sectors such as tube-making and wire-drawing, the Commission needs to be certain that the planned restructuring measures will in fact contribute towards rationalization of the market. On the basis of the information in its possession, it questions the compatibility of the proposed aid with the common market. It has therefore decided to open Article 93(2) scrutiny pro-

¹ Bull. EC 7/8-1987, point 2.1.115.

² Bull. EC 5-1988, point 2.1.72.

³ OJ L 290, 14.10.1987; Bull. EC 3-1987, point 2.1.83.

ceedings in respect of five of the six subsidiaries. In the case of the sixth, the construction company Fillod, which is now in liquidation, the French authorities are proposing to pay a final FF 1 021 million to allow the definitive closure of the company. In 1987 the Commission decided that payments to Fillod were not caught by the prohibition of Article 92(1). Since the circumstances have not changed, the Commission has decided not to oppose payment of the future aid to Fillod.

Financial institutions and company law

Financial institutions

Banks and other financial institutions

2.1.123. On 7 June the Council adopted a common position on the amended proposal¹ for a Directive on the obligations of branches established in a Member State by credit institutions and financial institutions having their head offices outside that Member State regarding the publication of annual accounting documents.² The purpose of the proposal is to do away with the requirement in a number of Member States that such branches publish annual accounts and instead to require the inclusion of certain details in the notes on the accounts of the credit institutions concerned.

Insurance

2.1.124. On 22 June the Council, following Parliament's decisions at the second reading (cooperation procedure),³ adopted in its version as originally proposed on 30 December 1975⁴ the second coordinating Directive relating to direct insurance other than life assurance,⁵ on which it had reached agreement on 18 December 1987⁶ and adopted a common position on 9 February.⁷ This new measure, which is a

major step towards establishing a single insurance market, is designed among other things to facilitate freedom to provide services in this field and to expand the existing range of insurance products and terms, especially for large industrial and commercial risks. Member States are required to bring the Directive into force within two years of its date of notification, 30 June 1988, although transitional arrangements have been introduced for four Member States (Spain, Greece, Portugal and Ireland).

Stock exchanges and securities

2.1.125. On 15 June, Parliament adopted an opinion³ (second reading) on the Commission's proposal relating to the coordination of regulations on insider trading.⁸ It approved the proposal subject to certain amendments.

Company law, company taxation and capital movements

Accounting standards

2.1.126. On 8 June the Commission adopted for transmission to the Council a communication⁹ together with a new proposal for a Directive¹⁰ amending the fourth¹¹ and seventh¹² company law Directives. The purpose of the proposal is to amend the definitions of small and medium-sized companies by introducing some flexibility into the criteria laid down in the fourth Directive. Thus, the balance-sheet

¹ OJ C 143, 1.6.1988; Bull. EC 3-1988, point 2.1.91.

² OJ C 230, 11.9.1986; Bull. EC 7/8-1986, point 2.1.86.

³ OJ C 187, 18.7.1988.

⁴ OJ C 32, 12.2.1976.

⁵ OJ L 172, 4.7.1988.

⁶ Bull. EC 12-1987, point 2.1.134.

⁷ Bull. EC 2-1988, point 2.1.73.

⁸ OJ C 153, 11.6.1987; Bull. EC 4-1987, point 2.1.65.

⁹ COM(88) 292.

¹⁰ OJ C 144, 11.6.1986; Bull. EC 5-1986, point 2.1.19.

¹¹ OJ L 222, 14.8.1978; OJ L 314, 4.12.1984; Bull. EC 11-1984, point 2.1.12.

¹² OJ L 193, 18.7.1983; Bull. EC 5-1983, points 2.1.26 to 2.1.30, Bull. EC 6-1983, point 2.1.21.

and turnover totals for small companies may be raised or lowered by 50% by Member States, but this must happen simultaneously and in equal proportions, while those for medium-sized companies may be raised by not more than 50%, with the minimum figure being left to the discretion of Member States. As regards the number of employees, Member States may adopt a figure of between 25 and 50. A relaxation in the requirements on small and medium-sized companies as regards the publication of annual accounts is also proposed. Lastly, companies will be authorized to draw up and publish annual accounts in ECUs.

The Commission has proposed that all these provisions should apply to the 1992 annual accounts at the latest.

European company statute

2.1.127. In response to the conclusions reached by the Hanover European Council and with a view to breathing new life into the moves to establish a uniform European company statute, the Commission adopted on 8 June a memorandum¹ for transmission to the Council, Parliament and the two sides of industry, which will be asked to make known their views by the end of 1988. In June 1970, in order to secure the international competitiveness of European companies, which are currently faced with the need to comply with differing national legal systems that renders cooperation between them complex, costly and risky, it had transmitted to the Council a proposal for a Regulation on the statute for European companies,² which was amended³ in 1975 in the light of the opinions delivered by Parliament⁴ and the Economic and Social Committee.⁵ The discussions at Council level were suspended in 1982. In line with the conclusions reached by the Brussels European Council in June 1987,⁶ the memorandum sets out to ascertain the political support the matter now enjoys among Member States. In the light of the opinions received, the Commission will decide whether it needs to put forward new proposals that will enable the statute to be

adopted in 1989. The memorandum emphasizes the optional nature of the statute for companies and indicates that it will be independent of, and—in some respects—perhaps different from, national legal systems. It sets out the main difficulties facing its adoption, and in particular the matter of worker participation in a company's decision-making process, for which it proposes a choice between three specific solutions.

Employment, education and social policy

The social dimension of the internal market

2.1.128. The European Council, meeting in Hanover on 27 and 28 June, adopted the conclusions of the Presidency on the social dimension of progress towards the objectives of 1992 (→ points 1.1.1 *et seq.* and 3.4.1).

2.1.129. On 2 June the Economic and Social Committee issued an own-initiative opinion on social developments in the Community in 1987 (→ point 2.4.44).

Council

2.1.130. On 9 June the Council approved the schedule agreed by the 'troika' — the current President (Germany) and the next two (Greece and Spain) — regarding the organization of work in the field of health and safety at the workplace. It adopted the Directive on the protection of workers by the banning of specified agents and/or work activities (fourth individual Directive within the meaning of Article 8 of the Directive of 27 November 1980⁷ (→ point 2.1.149).

¹ COM(88) 320 final; Supplement 3/88 — Bull. EC.

² OJ C 124, 10.10.1970.

³ Supplement 4/75 — Bull. EC.

⁴ OJ C 93, 7.8.1974.

⁵ OJ C 131, 13.12.1972.

⁶ Bull. EC 6-1987, point 1.1.1 *et seq.*

⁷ OJ L 327, 3.12.1980; Bull. EC 11-1980, point 2.1.38.

The Council also adopted common positions on the proposal for a Directive on the protection of workers from the risks related to exposure to benzene¹ (fifth individual Directive) and on the latest proposal² amending³ the Directive of 27 November 1980⁴ on the protection of workers from the risks related to exposure to chemical, physical and biological agents at work.

The Council debated proposals for Directives on the protection of workers from the risks related to exposure to carcinogens at work⁵ (sixth individual Directive within the meaning of Article 8 of the Directive of 27 November 1980⁴), on the introduction of measures to encourage improvements in the safety and health of workers at the workplace ('new framework Directive')⁶ and on minimum safety and health requirements for the workplace⁷ (first individual Directive within the meaning of Article 13 of the new framework Directive). The latter two proposals are part of a package of six based on Article 118a of the Treaty which were adopted by the Commission in February.⁸

The Council took note of a report from the Presidency on progress in discussions on the proposal for a Directive completing the implementation of the principle of equal treatment for men and women in statutory and occupational social security schemes.⁹ Finally, the Council adopted the Regulation relating to the organization of a survey of labour costs in industry, wholesale and retail distribution, banking and insurance.¹⁰

Employment

Employment and the labour market

Manpower surveys

2.1.131. On 20 June the Commission sent the Council a proposal for a Directive to amend the Directive of 28 July 1982 on the organization by the Member States of surveys on the earnings of permanent and seasonal workers employed in agriculture (→ point 2.5.1).

Local employment initiatives

2.1.132. On 7 June the Commission published an invitation to tender¹¹ by open procedure under the Council resolution of 7 June 1984 on the contribution of local employment initiatives to combating unemployment¹² and the resolution of 22 December 1986 on an action programme on employment growth.¹³ The Commission's purpose in doing so is to follow up the development of the system for exchanging information on such initiatives, which has been operational since October 1984 and covers the whole Community.

Sectoral aspects of employment policy

2.1.133. At a meeting on 14 June¹⁴ the Joint Committee on Inland Waterways discussed a proposal for a Regulation on structural improvements in inland waterway transport.¹⁵ It decided to draft an opinion on the social aspects of the proposal forthwith.

Dialogue with the two sides of industry

2.1.134. The Working Party on Macroeconomics, set up following the meeting at Val Duchesse on 12 November 1985,¹⁶ met

¹ OJ C 349, 31.12.1985; Bull. EC 11-1985, point 2.1.88.

² COM(88) 330 final.

³ OJ C 164, 2.7.1986; Bull. EC 6-1986, point 2.1.125; OJ C 326, 5.12.1987, Bull. EC 11-1987, point 2.1.136.

⁴ OJ L 327, 3.12.1980, Bull. EC 11-1980, point 2.1.38.

⁵ OJ C 34, 8.2.1988; Bull. EC 12-1987, point 2.1.153.

⁶ OJ C 141, 30.5.1988; Bull. EC 2-1988, point 1.2.4.

⁷ OJ C 141, 30.5.1988; Bull. EC 2-1988, point 1.2.5.

⁸ OJ C 113, 29.4.1988; OJ C 114, 30.4.1988; OJ C 117, 4.5.1988; OJ C 141, 30.5.1988; Bull. EC 2-1988, points 1.2.3 to 1.2.10.

⁹ OJ C 309, 19.11.1987; Bull. EC 10-1987, point 2.1.85.

¹⁰ OJ L 145, 11.6.1988. Commission proposal: Bull. EC 2-1988, point 2.1.77.

¹¹ OJ C 149, 7.6.1988.

¹² OJ C 161, 21.6.1984; Bull. EC 6-1984, point 2.1.45.

¹³ OJ C 340, 31.12.1986; Bull. EC 12-1986, point 2.1.138.

¹⁴ Previous meeting: Bull. EC 1-1988, point 2.1.44.

¹⁵ Bull. EC 5-1988, point 2.1.189.

¹⁶ Bull. EC 11-1985, point 2.5.15.

on 28 June¹ under the chairmanship of Mr Schmidhuber, Member of the Commission with special responsibility for economic and financial affairs. It discussed the economic situation and prospects on the basis of a Commission staff report and exchanged views on structural problems involved in completion of the internal market.

Financial instruments

European Social Fund

2.1.135. On 23 June the Commission approved the remaining applications for assistance from the European Social Fund for 1988, totalling 482.49 million ECU for 1 422 projects.

<i>million ECU¹</i>	
Applications approved, by category	Amount
Operations for young people under 25: in disadvantaged areas	174.80
in other areas	184.76
Operations for persons aged 25 or over: in disadvantaged areas	40.68
in other areas	39.88
Specific operations	42.37
Total	482.49

¹ Converted at April 1988 rates.

This final instalment represents the balance between total commitment appropriations as calculated on the basis of the provisional twelfths of the 1987 budget, and the appropriations finally allocated to the Fund in the 1988 budget adopted on 1 June.² Following the decisions of 15 December 1987³ and 29 April of this year,⁴ the total amount of applications for assistance from the Fund for the current financial year now stands at 3 179.27 million ECU for 9 717 programmes or projects.

Measures for ECSC workers

2.1.136. At a meeting of Industry Ministers on 24 June the Council agreed to re-examine the provisions of the social support measures intended to cushion the impact of the restructuring of the Community's steel industry (→ point 2.1.52). The Commission paper presented to the Council (→ point 2.1.53) foresees major job losses in 1988 and beyond; this will require additional aid of the order of 165 million ECU, which will have to be financed from an increase in the ECSC levy from 1989 (→ point 2.3.18) and from part of the ECSC customs duties now incorporated in the Community budget's own resources. The Commission would have to make available an advance of up to 50 million ECU on ECSC reserves in 1988, provided that the Council approves the new financing package as a whole.

2.1.137. In June the Commission, after obtaining the opinion of the ECSC Consultative Committee,⁵ published a communication concerning the adoption of a new joint scheme for granting ECSC readaptation aid (Article 56), which it had approved in principle on 29 March.⁶

The new scheme is designed to improve harmonization between the various forms of assistance provided for workers in the different Member States, and to ensure better control over redeployment expenditure. It provides for specific aid, which will henceforth be subject to uniform ceilings and limits in terms of duration, for the five standard situations in which workers forced to leave their jobs prematurely may find themselves: early retirement, (internal) transfer, unemployment, (external) retraining, training.

The Commission has also decided to authorize the extension of the scope of this assistance to cover the social cost of 'ration-

¹ Bull. EC 2-1988, point 2.1.79.

² Bull. EC 5-1988, point 2.3.3.

³ Bull. EC 12-1987, point 2.1.140.

⁴ Bull. EC 4-1988, point 2.1.84.

⁵ Bull. EC 4-1988, point 2.4.67.

⁶ Bull. EC 3-1988, point 2.1.95.

alization' measures in the coal industry that do not involve closure or cutbacks. It will furthermore propose that the Council should authorize the payment of ECSC readaptation aid to non-ECSC workers who give up their jobs to ECSC workers directly affected by industrial restructuring measures.

The Commission has decided to apply the new scheme from 1 January 1989 and negotiate, before the end of the year, the adaptation of bilateral agreements concluded with the Member States with regard to the application of Article 56.

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2.1.138. The Commission granted 600 000 ECU in emergency aid to the families of the victims of the mining disaster at Borken, in the Federal Republic of Germany. The money will be distributed through the Ger-

man Red Cross and is intended to cover the immediate need of those concerned.

2.1.139. The Commission approved a further batch of readaptation aid measures¹ under Article 56(2)(b) of the ECSC Treaty. The aid is intended as income supplements in the event of unemployment or early retirement, or to facilitate re-employment. In view of the discrepancy between the amount applied for and the amount available from the ECSC budget, the Commission had to reduce its rate of contribution to the financing of these measures for the first time.

This decision, which mainly concerns measures relating to 1987, had been postponed pending the reorganization of the readaptation aid system (→ point 2.1.137).

The table below gives a breakdown by country and sector of the 137.44 million ECU granted.

	Steel industry		Coal industry	
	Workers	Amount (million ECU)	Workers	Amount (million ECU)
Belgium		0.51 ¹	4 500	15.11
Germany (FR)		0.31 ¹	2 847	9.68
Spain	13 497	42.24		
France	1 970	2.15	4 400	9.92
Italy	9 945	27.85		
Netherlands	947	1.53		
Portugal	220	0.26		
United Kingdom	1 094	7.07	7 049	20.81
Total	27 673	81.92	18 796	55.52

¹ In addition to amount granted earlier.

2.1.140. The Commission also approved a batch of aid measures as part of the 1987 supplementary programme for readaptation aid to workers under Article 56(2)(b) of the ECSC Treaty.² The 34 million ECU involved will help some 23 360 workers faced with early retirement or employment elsewhere following redundancy. In view of budgetary restrictions the Commission had to lower its rate of contribution to the measures concerned.

Measures for shipbuilding workers

2.1.141. On 16 June Parliament adopted an opinion³ on the proposal for a Regulation instituting a specific Community pro-

¹ Bull. EC 7/8-1987, point 2.1.131.

² Bull. EC 12-1986, point 2.1.52; Bull. EC 6-1987, point 2.1.25.

³ OJ C 187, 18.7.1988.

gramme of social support measures to assist workers in the shipbuilding industry who are made redundant or threatened with redundancy.¹ Parliament took the view that the programme should be more future-oriented and place more emphasis on redeployment. It therefore called for a number of amendments designed to give redundant workers access to continuing vocational training or retraining.

Education and vocational training

Higher education

2.1.142. On 15 June the Commission, as part of the implementation of the Erasmus programme² for the 1988/89 academic year,³ granted financial support to 1 083 inter-university cooperation programmes,⁴ broken down as follows by type of cooperation: 948 student mobility programmes, 214 teaching staff mobility programmes, 76 programmes for the development of common study programmes and 67 intensive seminar programmes. Financial support for universities amounts to 10.2 million ECU for the 1988/89 academic year, with student grants standing at 13 million ECU.

Youth exchanges

2.1.143. On 16 June the Council formally adopted a Decision⁵ to set up the 'Yes for Europe' action programme to promote youth exchanges within the Community.⁶ The substance of the Decision had been approved on 24 May.⁷

Living and working conditions and social protection

Equal opportunities for men and women

2.1.144. On 25 June the Commission adopted—and on 5 July transmitted to the Council—a report⁸ on the implementation of the Council recommendation of 13 December 1984 on the promotion of positive action for women.⁹ The report takes

stock of the positive action undertaken by the Member States, the two sides of industry and other bodies, including the Commission itself, to counteract prejudicial effects on women in employment which arise from attitudes, behaviour or structures.

Although progress has been made in recent years, the report none the less concludes that it is too early for a comprehensive assessment of the action taken. The Commission proposes that another report on the further implementation of this recommendation should be drawn up in four years' time.

Social integration of disabled persons

2.1.145. On 17 June Parliament adopted a resolution on sign languages for the deaf (→ point 2.4.24).¹⁰

Freedom of movement for migrant workers

2.1.146. On 29 June the Commission sent the Council a draft resolution on the fight against racism and xenophobia¹¹ to implement the interinstitutional declaration of 11 June 1986.¹² The three sets of concrete proposals it contains, which are addressed both to the Community institutions and to the Member States, cover legal and institutional aspects, information, education and training.

¹ OJ C 291, 31.10.1987; Bull. EC 7/8-1987, point 2.1.132.

² OJ L 166, 25.6.1987; Bull. EC 5-1987, points 1.3.1 and 1.3.2.

³ Bull. EC 10-1987, point 2.1.79; Bull. EC 12-1987, point 2.1.142.

⁴ Bull. EC 5-1988, point 2.1.81.

⁵ OJ L 158, 25.6.1988.

⁶ OJ C 72, 27.3.1986; Bull. EC 2-1986, point 2.1.73; OJ C 77, 24.3.1987; Bull. EC 2-1987, point 2.1.70.

⁷ Bull. EC 5-1988, point 2.1.82.

⁸ COM(88) 370 final.

⁹ OJ L 331, 19.12.1984; Bull. EC 12-1984, point 2.1.96.

¹⁰ OJ C 187, 18.7.1988.

¹¹ COM(86) 318 final.

¹² OJ C 158, 25.6.1986, Bull. EC 6-1986, point 1.4.1; Supplement 9/85 — Bull. EC; OJ C 186, 26.7.1985; Bull. EC 6-1985, point 2.1.74.

2.1.147. On 8 June the Commission adopted a Decision setting up a prior communication and consultation procedure on migration policies in relation to non-member countries.¹ The contents of this Decision are the same as that of 8 July 1985,² with the exception of two provisions held void by the Court of Justice in a judgment given on 9 July 1987.³

Health and safety

Public health

2.1.148. On 21 June the Council and the Representatives of the Governments of the Member States meeting within the Council, having discussed in detail on 31 May⁴ the progress achieved in the implementation of the 'Europe against cancer' programme,⁵ took a formal Decision to adopt a plan of action for an information and public awareness campaign in 1988/89 as part of that programme.⁶

Health and safety at work

2.1.149. On 9 June the Council, on a proposal from the Commission,⁷ adopted a Directive on the protection of workers by the banning of specified agents and/or work activities⁸ (fourth individual Directive within the meaning of Article 8 of the Directive of 27 November 1980⁹). It had adopted a common position on 1 December 1987.¹⁰

The Directive provides for a ban on 2-naphthylamine and its salts, 4-aminodiphenyl and its salts, benzidine and its salts and 4-nitrodiphenyl. The ban does not apply where the agents are present in a substance or preparation in the form of impurities or by-products or as a constituent of waste products, provided their individual concentration is less than 0.1% w/w. Exemptions from the ban will be permitted only for the purpose of scientific research and testing including analysis, for activities designed to eliminate agents present in the form of by-products or waste products, and

for the production and use of the banned substances as intermediates.

Member States are free to adopt or apply more stringent standards of protection in this matter. The Directive is to have effect from 1 January 1990.

2.1.150. On 2 June the Economic and Social Committee gave its opinion on the proposal for a Council Directive on the protection of workers from the risks related to exposure to carcinogens at work (sixth individual Directive within the meaning of Article 8 of the Directive of 27 November 1980) (→ point 2.4.45).¹¹

Culture

Conservation of the architectural heritage

2.1.151. On 16 June Parliament passed two resolutions on the participation of Community financial instruments in the restoration of the historic centre of the city of Palermo, and on the conservation of the architectural heritage of Lisbon (→ point 2.4.24).¹²

Regional policy

Financial instruments

European Regional Development Fund

Programme preparation

Renaval programme

2.1.152. On 28 June, in order to take account of the opinion of Parliament

¹ OJ L 183, 14.7.1988.

² OJ L 217, 14.8.1985; Bull. EC 7/8-1985, point 2.1.96.

³ OJ C 205, 1.8.1987; Bull. EC 10-1987, point 2.4.25.

⁴ Bull. EC 5-1988, point 2.1.87.

⁵ Bull. EC 5-1987, point 2.1.121; OJ C 50, 26.2.1987; Bull. EC 12-1986, point 1.4.1 *et seq.*

⁶ OJ L 160, 28.6.1988.

⁷ OJ C 270, 10.10.1984; Bull. EC 9-1984, point 2.1.51, Bull. EC 6-1985, point 2.1.82.

⁸ OJ L 179, 9.7.1988.

⁹ OJ L 327, 3.12.1980; Bull. EC 11-1980, point 2.1.38.

¹⁰ Bull. EC 12-1987, point 2.1.138.

¹¹ OJ C 34, 8.2.1988, Bull. EC 12-1987, point 2.1.153.

¹² OJ C 187, 18.7.1988.

(→ point 2.1.153) and of the adoption by the Council on 24 June of the framework Regulation on the tasks of the structural Funds (→ point 2.1.159), the Commission again¹ amended² its proposal for a Regulation instituting a Community programme to assist the conversion of shipbuilding areas (Renaval),³ particularly as regards the definition of the eligibility criteria for the areas. It supplemented and clarified those criteria in order to make them consistent with the criteria for selecting the areas concerned by Objective No 2 of the structural Funds (conversion of areas affected by industrial decline).

2.1.153. Previously, on 16 June, Parliament had adopted a favourable opinion⁴ on this proposal⁵ for a Regulation subject to a number of amendments. In particular, it had requested that regional authorities be involved in preparing and implementing assistance programmes, that assistance be extended to areas experiencing major job losses in industries supplying shipbuilding, and that more specific provisions be included on the procedures for implementing programmes, on the real need for programmes to be jointly financed by the Community and the Member States concerned, and on the supply of information to Parliament.

On the same date it adopted an opinion on the proposal for a Regulation instituting a specific Community programme of accompanying social measures to assist workers in the shipbuilding industry who are made redundant or threatened with redundancy (→ point 2.1.141).

On 16 June it also adopted a resolution⁴ on the Commission communication on the industrial, social and regional aspects of shipbuilding (→ point 2.4.24).⁶

Resider programme

2.1.154. On 27 and 29 June the Commission adopted two decisions adding Saarland (Germany) and South Yorkshire and Scunthorpe (United Kingdom) to the areas eligible for financial support under the

Community programme to assist the conversion of steel areas (Resider).⁷

ERDF grants

Projects

2.1.155. On 21 June the Commission approved the granting of ERDF assistance under the sixth allocation for a road infrastructure project in the Netherlands costing 34.25 million ECU.

Programmes

2.1.156. On 21 June the Commission approved the granting of ERDF assistance to two national programmes of Community interest (NPCIs):

10 359 000 ECU over four years (from 1 January 1988 to 31 December 1991) for the NPCI for the district of Turnhout (Belgium);

4 305 000 ECU over three years (from 1 July 1988 to 1 July 1991) for the NPCI for the areas of Twente and Helmond (Netherlands).

Financing of studies

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

63 000 ECU for a feasibility study on tourist facilities at Hammer (Bornholm) in Denmark;

230 000 ECU for a study of road infrastructure at Carrick, Penwith and Kerrier in the United Kingdom;

¹ Bull. EC 4-1988, point 2.1.102.

² COM(88) 369 final.

³ For previous amendment see OJ C 291, 31.10.1987; Bull. EC 7/8-1987, point 2.1.146.

⁴ OJ C 187, 18.7.1988.

⁵ OJ C 291, 31.10.1987; Bull. EC 7/8-1987, point 2.1.146; Bull. EC 4-1988, point 2.1.102.

⁶ OJ C 291, 31.10.1987; Bull. EC 7/8-1987, point 2.1.146.

⁷ OJ L 33, 5.2.1988; Bull. EC 2-1988, point 2.1.92.

214 000 ECU for a socio-economic and technical study of the Puymorens tunnel in France.

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2.1.158. On 24 June the Commission decided to set up a Consultative Council of Regional and Local Authorities composed exclusively of persons holding elected office at regional or local level; attached to the Commission, this Council may be consulted on all matters relating to regional development and the regional and local implications of Community policies.

Coordination of structural instruments

Reform of the structural Funds

2.1.159. On 24 June, with a view to implementing the conclusions of the Brussels European Council held from 11 to 13 February,¹ the Council adopted a Regulation on the tasks of the structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments.² This Regulation should come into effect on 1 January 1989, following the adoption of the implementing instruments.

Integrated Mediterranean programmes

2.1.160. In June the Commission adopted the last five of the 15 Italian draft IMPs, which concern the northern Adriatic lagoons and Sicily (1 June) and Calabria, Campania and Apulia (22 June).

The draft IMP for the northern Adriatic lagoons covers the lagoons between the areas of Comacchio and Marano Lagunae, which fall within three administrative areas: Emilia-Romagna, Veneto and Friuli-Venezia Giulia.

Although confined to a single area of activity, aquaculture, this is the only IMP to follow an inter-regional approach com-

binning strictly regional measures with inter-regional supporting operations. It is aimed, firstly, at sustaining and stimulating traditional activities such as 'valliculture', with a view to preserving the lagoon environment, and sea-based shellfish farming, and, secondly, at introducing new forms of fish farming and modern techniques which are compatible with environmental protection requirements and are geared towards diversifying and maximizing production. Total expenditure over the period 1988-92 is estimated at 109 million ECU, of which approximately 33% (35.6 million ECU) will come from the Community budget. This amount will be supplemented by Community loans.

The draft IMP for Sicily is aimed at exploiting the indigenous development potential and diversifying economic activity in the area concerned. It comprises six subprogrammes: four concerning agriculture and forestry, tourism, industry, and crafts and fisheries respectively, one relating to the Aeolian Islands covering several sectors of importance to the development of this area, and one on the general implementation of the IMP. Total expenditure over the period 1988-92 is estimated at 231 million ECU, of which nearly 47% (108 million ECU) will come from the Community budget. Community loans are also to be granted.

The draft IMP for Calabria is aimed at contributing to the modernization of the economy of the region. It consists of five subprogrammes: development and improvement of agriculture and diversification of the rural economy, industry, crafts and services, tourism, fisheries, and implementation of the IMP. Estimated expenditure over the period 1988-92 amounts to approximately 206 million ECU, of which some 45% (94.5 million ECU) will come from the Community budget. This contribution will be accompanied by Community loans.

¹ Bull. EC 2-1988, point 1.1.1 *et seq.*

² OJ C 245, 12.9.1987; Bull. EC 7/8-1987, point 1.1.2; Bull. EC 3-1988, point 2.1.108.

The draft IMP for Campania is aimed at providing the infrastructure necessary for the development of economic activity, boosting agricultural production and establishing processing industries. It is divided into five subprogrammes devoted to infrastructure, agriculture and forestry, industry, crafts and services, tourism, and general implementation of the IMP.

Total expenditure over the period 1988-92 is estimated at 172 million ECU, of which some 46% (80 million ECU) will come from the Community budget. This sum should be supplemented by a number of Community loans.

The draft IMP for Apulia seeks to develop and diversify the economic structure of the region and to reduce its internal disparities, e.g. by realizing the potential of the inner areas and modernizing existing industries and activities. It is divided into five subprogrammes: agriculture, industry, crafts and services, tourism, aquaculture and lagoons, and implementation of the IMP. Total expenditure is put at 223 million ECU, of which some 49% (100 million ECU) will come from the Community budget. This amount will be supplemented by Community loans.

2.1.161. On 27 June the Advisory Committee on IMPs delivered a favourable opinion on previous draft Italian IMPs concerning Lazio and Sardinia.¹

2.1.162. On 13 June the Commission formally approved² the Italian IMPs relating to Liguria³ and Tuscany.⁴

2.1.163. On 21 June the Commission and the Italian authorities signed the programme contract for the implementation of the IMP for Tuscany.

Integrated operations

2.1.164. On 8 June the Commission approved an integrated development operation for the Belgian province of Limburg. This five-year operation (1987-91) is intended to help solve the region's structural

problems in a coordinated fashion by means of assistance from the Community's three structural Funds, the ECSC and the EIB. The measures involved may be divided into three main groups: scientific and applied research measures and studies on the preparation and development of new activities in industry, agriculture and tourism; measures in connection with the implementation of new investment projects and the expansion of the existing activities (small and medium-sized businesses, tourism, environmental protection, vocational training, etc.); and measures to improve the labour market. The total cost of this IDO is estimated at 462 million ECU, of which 148 million will come from the Community budget while a further substantial amount will be granted in the form of Community loans (ECSC, EIB).

2.1.165. On 8 June the Commission approved an integrated development operation for the Nord/Pas-de-Calais region in France. This four-year operation (1987-90) is intended to draw on the strengths of existing industries, new know-how and the advanced technologies now becoming available. Assistance will be granted from the Community's three structural Funds: the ERDF will finance measures aimed at industrial development and development of craft industries, improvement of the environment through the reclamation of derelict industrial sites and development of initial and continuing training facilities. The ESF will improve training through measures to provide job-seekers with new skills while the EAGGF Guidance Section will contribute to a scheme aimed at maintaining employment and diversifying production. The total cost of this operation is estimated at 233 million ECU, of which 81 million will come from the Community budget.

¹ Bull. EC 5-1988, point 2.1.102.

² OJ L 188, 19.7.1988.

³ Bull. EC 3-1988, point 2.1.111.

⁴ Bull. EC 3-1988, point 2.1.110.

Other integrated approaches

2.1.166. On 24 June, with a view to implementing the conclusions of the European Council held in Brussels from 11 to 13 February,¹ the Council adopted the Regulation on financial support for Portugal for a specific industrial development programme (Pedip).²

2.1.167. Previously, on 3 June, the Economic and Social Committee had adopted an opinion on the proposal for a Regulation relating to this programme (Pedip) (→ point 2.4.46)²

Structural aid for areas affected by disasters

2.1.168. On 24 June the Commission decided to extend by six months its decision of 12 December 1986 to institute a special measure for Kalamata in Greece following the earthquake.³ This will, among other things, enhance the success rate of the measures aimed at facilitating application of the IMP for western Greece and the Peloponnese⁴ in the stricken area.

Environment and consumers

Environment

2.1.169. In the conclusions of the Presidency issued at the end of the European Council in Hanover on 27 and 28 June (→ points 1.1.1 *et seq.* and 3.4.1), the European Council expressed its concern over the dangers to the environment in general and air and water pollution in particular.

2.1.170. The Western Economic Summit held in Toronto on 20 and 21 June also stressed the need for international cooperation to deal with threats to the environment (→ point 3.5.1).

Council

2.1.171. The Council met to discuss environmental issues on 16 and 17 June, resuming the meeting on 28 and 29 June.

At the first part of the meeting the Council reached agreement in principle on the main aspects of the Directive on the limitation of emissions of pollutants into the air from large combustion plants. Full agreement was reached on 28 June, one delegation having expressed its agreement subject to confirmation (→ point 2.1.180).

The Council also reached substantive agreement on the proposal for a Decision approving and implementing the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer, and on the proposal for a Regulation laying down common rules applicable to certain products which deplete the ozone layer (→ point 2.1.181).

The Council adopted a Directive relating to measures to be taken against air pollution by gases from diesel engines of private vehicles (→ point 2.1.178).

It also adopted a common position on the proposal for a Directive on the major-accident hazards of certain industrial activities (→ point 2.1.185).

The Commission presented to the Council its communication on agriculture and the environment (→ point 2.1.219), and announced that before the end of the year it would present firm proposals in four specific areas: pollution of water resources by livestock manure and nitrogenous fertilizers, the marketing of plant protection products, the production and marketing of 'biological' products and the environmental impact assessment of major agricultural projects.

¹ Bull. EC 2-1988, point 1.1.1 *et seq.*

² OJ C 120, 7.5.1988; Bull. EC 3-1988, point 2.1.115.

³ Bull. EC 12-1986, point 2.1.173.

⁴ Bull. EC 7/8-1987, point 2.1.155, Bull. EC 10-1987, point 2.1.111.

Finally, there was an exhaustive discussion of the issues connected with the transfrontier shipment of toxic and hazardous waste to developing countries. The discussion showed that all delegations attached great importance to this problem.

At the second part of the meeting, the Council's initial reaction was largely sympathetic to the proposal for reducing pollution from small cars of less than 1 400 cc.¹

The Council approved guidelines on procedures for harmonizing programmes for reducing pollution caused by waste from the titanium dioxide industry. These guidelines will serve as a basis for further discussions in Council Committees on the proposal for a Directive.²

The Council resumed its examination³ of the proposal for a Decision establishing a five-year Community-wide programme of projects illustrating how actions in the environmental field can also contribute to employment creation.⁴ No agreement having been reached, in particular with regard to financing the programme, the Council agreed to continue its discussions with a view to reaching agreement at the earliest opportunity.

Finally, the Council adopted a resolution on the protection of the North Sea and other waters in the Community.

Prevention and reduction of pollution and nuisance

Protection of the aquatic environment

2.1.172. On 16 June Parliament adopted a resolution on the pollution of water-courses⁵ (→ point 2.4.24).

Protection of the Rhine

2.1.173. On 24 June the Council, acting on a proposal from the Commission⁶ after receiving the opinion of Parliament,⁵ adopted two Decisions supplementing Annex IV to the Convention for the Protec-

tion of the Rhine against Chemical Pollution,⁷ in respect of mercury discharges by industries other than the chloralkali electrolysis industry and in respect of carbon tetrachloride.⁸

On 16 June Parliament adopted a resolution on the pollution of the Rhine (→ point 2.4.24).⁵

Oslo and Paris Conventions

2.1.174. The Commission represented the Community at the following meeting in Lisbon:

(i) On 15 and 17 June, the 10th meeting of the Paris Commission, which administers the Paris Convention for the Prevention of Marine Pollution from Land-based Sources.⁹ It was agreed that organotin compounds should be entered on a reserve list of dangerous substances with a view to including them in Annex A to the Convention. A recommendation to reduce the amounts of these substances likely to enter the marine environment was adopted, as was a strategy for a programme relating to cadmium. The Paris Commission ratified the target standard of 40 mg/l for oil, which is to apply to all drilling rigs, and expressed the view that the contracting parties should report on the steps they had taken to reduce the quantity of nutrients (nitrogen and phosphorus) discharged into the sea. Finally, it adopted a recommendation on the reduction of discharges of nutrients and on nuclear waste reprocessing plants.

(ii) On 20 and 21 June, the 10th joint meeting of the Oslo and Paris Com-

¹ OJ C 56, 27.2.1988; Bull. EC 2-1988, point 2.1.103.

² OJ C 138, 26.5.1983; Bull. EC 4-1983, point 2.1.82; OJ C 167, 27.6.1984, Bull. EC 6-1984, point 2.1.75.

³ Bull. EC 3-1988, point 2.1.116.

⁴ OJ C 141, 27.5.1987; Bull. EC 2-1987, point 2.1.83, OJ C 88, 5.4.1988; Bull. EC 2-1988, point 2.1.99.

⁵ OJ C 187, 18.7.1988.

⁶ Bull. EC 12-1986, point 2.1.184; Bull. EC 9-1987, point 2.1.109.

⁷ OJ L 240, 19.9.1977.

⁸ OJ L 183, 14.7.1988.

⁹ OJ L 194, 25.7.1975.

missions.¹ They ratified a number of recommendations on the monitoring of seawater and biological effects. They approved the 1989 budget and the terms of reference of the task force which is to introduce a system for implementing the provisions of the second international conference on the protection of the North Sea as regards the development of scientific knowledge and understanding.²

(iii) From 22 to 25 June, as an observer at the 14th meeting of the Oslo Commission. It discussed the draft protocol amending the Convention so as to include inland waters. The contracting parties should shortly announce their acceptance of the protocol. The Commission agreed to end incineration at sea by the contracting parties to the Convention and incineration in the area covered by the Convention no later than 31 December 1994. States bordering on the North Sea will take steps to minimize or considerably reduce, i.e. by at least 65%, incineration at sea before 1 January 1991 and will adopt other measures relating to the control of waste exports and of shipments of waste loaded in a port of the country of origin.

2.1.175. A ministerial seminar on Community water policy was held at Frankfurt on 27 and 28 June for the purpose of discussing water policy in the 1990s in the light of experience. Ministers agreed that, in the context of the Single European Act, policy and legislation for protecting and managing the Community's water resources should be expanded and intensified. The following broad conclusions were agreed: qualitative and quantitative aspects cannot be dissociated; there should be integrated water management; it should be possible to define ecological quality standards for water; measures to combat pollution by dangerous substances should be intensified; it was important to provide adequate municipal waste-water treatment while taking account of regional diversity; appropriate measures should be adopted to reduce pollution from diffuse sources, in particular from the use of fertilizers and pesticides in agriculture.

Limit values and quality objectives for discharges of certain dangerous substances into the aquatic environment

2.1.176. On 16 June the Council adopted a Directive³ amending Annex II to the Directive of June 1986⁴ on limit values and quality objectives for discharges of certain dangerous substances included in List I of the Annex to the Directive of May 1976.⁵

In line with the development of scientific knowledge about their toxicity, the amendment adds a number of substances to the list of products for which emission limit values and quality objectives for the aquatic environment must be complied with. These products are: aldrin, dieldrin, endrin and isodrin;⁶ hexachlorobenzene and hexachlorobutadiene,⁷ and chloroform.⁸ The amendment lays down limit values and quality objectives for these products.

Pollution by oil and other harmful substances

2.1.177. On 16 June, acting on a proposal from the Commission,⁹ the Council adopted a Decision³ amending the Decision of March 1986 establishing a Community information system for the control and reduction of pollution caused by the spillage of oil and other harmful substances at sea.¹⁰

The purpose of the amendment is to extend the information system to cover the intervention resources available in the event of major spillages of oil and other harmful substances in major inland waters, especially international waterways.

¹ The Oslo Commission administers the Oslo Convention for the Prevention of Marine Pollution by Dumping from Ships and Aircraft.

² Bull. EC 11-1987, point 2.1.152.

³ OJ L 158, 25.6.1988.

⁴ OJ L 181, 4.7.1986; Bull. EC 6-1986, point 2.1.147.

⁵ OJ L 129, 18.5.1976.

⁶ OJ C 146, 12.6.1979, OJ C 309, 3.12.1986; Bull. EC 10-1986, point 2.1.118.

⁷ OJ C 314, 26.11.1987; Bull. EC 10-1987, point 2.1.124.

⁸ OJ C 70, 18.3.1985; Bull. EC 1-1985, point 2.1.30; OJ C 160, 27.6.1986.

⁹ OJ C 108, 23.4.1987; Bull. EC 4-1987, point 2.1.91.

¹⁰ OJ L 77, 22.3.1986; Bull. EC 3-1986, point 2.1.103.

An inventory of the resources for intervention available to each Member State's authorities in the event of such accidents will be compiled, with a view to making them available to other Member States in case of need. The inventory will contain data on the manpower resources (specialist staff, task forces) and material resources available.

Air pollution

Motor-vehicle emissions

2.1.178. On 16 June the Council adopted a Directive amending the Directive of 1970¹ relating to measures to be taken against air pollution by gases from diesel engines of private vehicles.²

The standards adopted set limit values of 1.1 g/test for new models and 1.4 g/test for production type-approval. These standards will apply from 1 October 1989 to new models and from 1 October 1990 to all new cars taking to the road for the first time.

This Directive is the first piece of Community legislation specifically controlling such emissions from diesel engines.

2.1.179. On 2 June the Economic and Social Committee delivered its opinion on the proposal for a Directive which aims to reduce air pollution by gases from cars with a small engine capacity³ (→ point 2.4.47).

Large combustion plants

2.1.180. On 28 June the Council reached agreement in principle on the proposal for a Directive on the limitation of emissions of pollutants from large combustion plants (50 MW or more).⁴ It provides for a reduction in overall annual emissions of SO₂ from existing plants, from 1980 levels, in three stages: in principle 40% in 1993, 60% in 1998 and 70% in 2003. NO_x emissions are to be reduced in two stages: in principle 20% in 1993 and 40% in 1998. Derogations from these rates of reduction are granted for certain Member States on grounds of their specific situations.

New plants (authorized after 1 July 1987) will be subject to Community emission limit values in respect of the abovementioned pollutants and dust.

Controls on chemicals, industrial hazards and biotechnology

Chlorofluorocarbons (CFCs)

2.1.181. On 16 June the Council reached substantive agreement on the proposal for a Decision approving and implementing the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer, and on the proposal for a Regulation laying down common rules applicable to certain products which deplete the ozone layer.⁵ It also reached agreement on a resolution limiting the use of CFCs and halons.

2.1.182. On 14 June Parliament delivered opinions on the proposed Decision and Regulation.⁶

2.1.183. On the same day it also adopted a resolution on the protection of the ozone layer⁶ (→ point 2.4.24).

2.1.184. The Economic and Social Committee delivered its opinion on these proposals on 3 June (→ point 2.4.48).

Major-accident hazards of certain industrial activities

2.1.185. On 16 June the Council adopted a common position, pending the opinion of Parliament, on a proposal for a Directive⁷ amending for the second time the Directive of June 1982 on the major-accident hazards of certain industrial activities (the 'Seveso'

¹ OJ L 76, 6.4.1970.

² OJ C 174, 12.7.1986; Bull. EC 5-1986, point 2.1.109.

³ OJ C 56, 27.2.1988; Bull. EC 2-1988, point 2.1.103.

⁴ OJ C 49, 21.2.1984; Bull. EC 12-1983, point 2.1.118; OJ C 76, 22.3.1985; Bull. EC 2-1985, point 2.1.62.

⁵ Bull. EC 2-1988, point 2.1.104.

⁶ OJ C 187, 18.7.1988.

⁷ OJ C 119, 6.5.1988, Bull. EC 3-1988, point 2.1.124.

Directive).¹ The purpose of the proposed Directive is to extend the scope of the 1982 instrument to include all storage of dangerous chemicals, packaged or loose, whatever the site. The Directive would also strengthen the information provisions by specifying a minimum number of items of information that must be supplied to the public. These include: the nature of the hazards to which the population and the environment are exposed, measures to be taken in the event of an accident, whether emergency plans exist and details of how to obtain further information.

2.1.186. The Economic and Social Committee delivered its opinion on this proposal² on 2 June (→ point 2.4.49).

External trade in dangerous chemicals

2.1.187. On 16 June the Council adopted a resolution³ and a Regulation⁴ concerning export from and import into the Community of certain dangerous chemicals.⁵

The Regulation introduces, among other things, a notification system for the export to non-member countries of substances which are banned or severely restricted within the Community. It applies initially to 21 products. The list will be reviewed periodically by the Commission, particularly in the light of practical experience, and may be amended by the Council acting by a qualified majority on a proposal from the Commission. In the resolution, the Council noted that certain Member States already implement measures in their territory in addition to those provided for in the Regulation, including, for one Member State, the system described as 'prior informed consent' of the country importing the dangerous chemicals. It invited the Commission to examine this question in greater detail and to present, where necessary, in the light of information supplied by the Member States and of developments in relevant international practices, detailed proposals with a view to possible adjustment of the Community instrument.

Consumers

Council

2.1.188. At its meeting on internal market and consumer protection issues on 7 June, the Council adopted a resolution on increasing the involvement of consumers in standardization (→ point 2.1.190). It also discussed outstanding problems regarding the extension of the Community system for the rapid exchange of information on dangers arising from the use of consumer products.⁶

The Council took note of the first Commission report on the integration of consumer policy in the other common policies and adopted conclusions (→ point 2.1.189).

Integration of consumer policy in the other common policies

2.1.189. In response to the Council resolution of 15 December 1986,⁷ the Commission presented a report to the Council in December of last year on the integration of consumer policy in the other common policies.⁸ On 7 June the Council adopted a number of conclusions, calling on the Commission to step up its efforts in certain priority areas with a view to improving the safety of consumers and protecting their economic interests. It also asked the Commission to establish an interdepartmental consultation procedure to examine the repercussions of each proposal on consumers in the Community before it is presented to the Council, and to draw up a list of the benefits and disadvantages for consumers in each case.

¹ OJ L 230, 5.8.1982; Bull. EC 6-1982, point 2.1.92.

² OJ C 119, 6.5.1988; Bull. EC 3-1988, point 2.1.124.

³ OJ C 170, 29.6.1988.

⁴ OJ L 155, 22.6.1988.

⁵ OJ C 177, 15.7.1986; Bull. EC 7/8-1986, point 2.1.136; Bull. EC 11-1987, point 2.1.159.

⁶ OJ C 12, 11.5.1988; Bull. EC 3-1988, point 2.1.133.

⁷ OJ C 3, 7.1.1987; Bull. EC 12-1986, point 2.1.204.

⁸ Bull. EC 12-1987, point 2.1.196.

Physical protection and product safety

Standardization

2.1.190. On 7 June the Council adopted a resolution on the improvement of consumer involvement in standardization¹ which takes into account the conclusions of the European Forum on Consumers and Standardization, held in Brussels in June 1987,² and the Council resolution of May 1985 on a new approach to technical harmonization and standards.³

Cosmetics

2.1.191. On 30 June the Council adopted a Directive amending for the fourth time the 1976 Directive⁴ on cosmetic products.⁵

2.1.192. On 21 June the Commission put before the Council a proposal for a Directive⁶ to amend the 1976 Directive⁴ for the fifth time. The purpose of this proposal is to replace the current (regulatory committee) procedure — which expires at the end of 1988 — by an advisory committee on adaptation to technical progress with respect to Annexes III to VII of the Directive.

Consumer information, education and representation

Safety of children

2.1.193. On 7 June Mr Varfis, Member of the Commission with special responsibility for consumer protection, officially informed the Council that the Community information and awareness campaign on child safety⁷ would be starting before the end of the year.

The aim of this campaign is to make the general public aware of just how many accidents happen in and around the home, what they are caused by, and possible ways of reversing the trend. According to WHO figures, 16 children die every day in the Community as a result of domestic or

leisure-related accidents, while thousands more are injured, often seriously, every year.

Price indication

2.1.194. On 7 June the Council adopted two Directives⁸ on consumer protection in terms of price indication for food⁹ and non-food products,¹⁰ on which it had adopted a common position in February.¹¹ It also adopted a resolution on the same subject.¹²

The indication of the selling price and the unit price by weight, which are covered by these two Directives, makes it easier to compare prices at the point of sale; it contributes to the establishment of the internal market by facilitating the movement of these products.

In its resolution, the Council requests that the Commission should bring forward proposals for extending Community ranges to further categories of products, and for revising and, where necessary, improving ranges already adopted by the Community.

Consumer information

2.1.195. On 9 and 10 June, the Commission, in conjunction with the Council Presidency (currently Germany), held a seminar in Berlin on advice and assistance to

¹ Bull. EC 12-1987, point 2.1.196.

² Bull. EC 6-1987, point 2.1.142.

³ OJ C 136, 4.6.1985; Bull. EC 5-1985, point 1.3.1.

⁴ OJ L 262, 27.9.1976.

⁵ OJ C 86, 1.4.1987; Bull. EC 2-1987, point 2.1.98; COM(88) 323 final.

⁶ COM(88) 324 final.

⁷ Bull. EC 5-1987, point 2.1.152.

⁸ OJ L 142, 9.6.1988.

⁹ 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.

¹⁰ OJ C 53, 25.2.1984; Bull. EC 7/8-1984, 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.

¹¹ Bull. EC 2-1988, point 2.1.106.

¹² OJ C 153, 11.6.1988.

consumers. Some 50 government and other experts took part. They emphasized the need to recognize consumer information as a priority area of Community consumer policy, specifically in relation to the completion of the internal market. The main conclusions of the seminar were as follows:

- (i) an index to be drawn up of all offices and centres giving advice and assistance to consumers throughout the Community;
- (ii) cooperation and coordination between these agencies to be organized;
- (iii) such agencies to be set up and supported in the southern Member States and in Ireland;
- (iv) a seminar to be organized on the use of new technologies in consumer agencies;
- (v) seminars and meetings to be held on specific services to help consumers and on problems related to the organization and operation of agencies giving assistance to consumers;
- (vi) the setting up of Euro-Info-Centres for consumers to be studied; a seminar on this is planned.

Agriculture

Council

2.1.196. The Council met from 13 to 17 June and resumed its discussion¹ of farm prices and related measures for 1988/89.²

Member States' positions on the rules for the application of agricultural stabilizers and the extension of the key components of the various market organizations were brought much closer together during the meeting. On prices, the Council was inclined to maintain the 1987/88 levels, subject to the adjustments required by the Act of Accession of Spain and Portugal.

However, one Member State remained dissatisfied with the solution proposed as regards agri-monetary problems.

Since the Council had failed to take a decision on the proposal as a whole, the Commission, to carry out the tasks incumbent on it under the Treaty, was obliged to adopt as a matter of urgency the precautionary measures essential to ensure continuity of operation of the common agricultural policy and to avoid disturbing the market in those products for which the marketing year began on 1 July or had been carried forward until then (→ point 2.1.197).

It should be borne in mind that the Commission's proposal was made within the budgetary limits set by the February European Council³ and in the light of the particular situation on the internal market for the various products and of the tension on world agricultural markets.

On other matters, the Council approved a Decision on aid to German farmers (→ point 2.1.232) and discussed the amended proposal for a Regulation establishing a system for transitional aids to agricultural income.⁴

In the course of the meeting the Council continued its work on the harmonization of veterinary and animal husbandry legislation with the aim of fully implementing the health and veterinary inspection rules so that in the context of 1992 trade in products of animal origin can be liberalized. The Council adopted a Directive laying down the rules to be observed as regards intra-Community trade in, and Community imports of, deep-frozen semen of animals of the bovine species, a Decision determining the amounts of the fees to be charged by Member States in respect of health inspections and controls of fresh meat, a Directive laying down the health rules and the health inspection fees applying to meat intended for the domestic markets of the Member States and, lastly, a Directive speci-

¹ Bull. EC 3-1988, point 2.1.138; Bull. EC 4-1988, point 2.1.127; Bull. EC 5-1988, point 2.1.119.

² OJ C 139, 30.5.1988; Bull. EC 3-1988, points 1.2.1 to 1.2.7 and 2.1.139.

³ Bull. EC 2-1988, point 1.1.1 *et seq.*

⁴ OJ C 236, 2.9.1987; Bull. EC 4-1987, points 1.2.1 to 1.2.3; Bull. EC 5-1988, point 2.1.118.

fying the guarantees required in regard to bovine leucosis for intra-Community trade (→ point 2.1.223).

As regards pigmeat, the Council discussed the proposal for a Directive on the zootechnical standards applicable to breeding animals of the porcine species.¹

Agricultural prices and related measures for 1988/89

2.1.197. At the end of June the Commission was obliged to note that the Council, despite repeated meetings,² had been unable to take any decision on the Commission's farm price proposals and related measures for 1988/89.³

The Commission was obliged, in the light of this situation and of the legal vacuum that ensued for those products for which the prices and related measures from 1987/88⁴ expired on 30 June, and needing more than ever to ensure the continuity and proper functioning of the common agricultural policy, to adopt the precautionary measures required for the products in question. These measures related to the prices, premiums, aids and all other price components for cereals, beef/veal, milk and milk products, sugar, some fruit and vegetables and for oilseeds. They are by definition interim measures and are without prejudice to any decisions the Council may adopt at a later date.

2.1.198. On 14 June⁵ Parliament adopted an opinion on eight proposals for Regulations on farm prices and related measures for 1988/89.³ This opinion supplements that of 19 May 1988⁶ as regards cereals, olive oil, oils and fats, the aid for dried fodder, the milk co-responsibility levy, wine, tobacco and the conversion rates to be applied in agriculture.

Economic aspects of the common agricultural policy

Agri-monetary measures

2.1.199. On 30 June the Commission adopted a Regulation fixing the monetary

compensatory amounts (MCAs) in the agricultural sector and certain coefficients and rates required for their application⁷ to take account of the elimination of MCAs for cereals in the Federal Republic of Germany and the Netherlands following the entry into force on 1 July of the new agricultural conversion rates for those countries decided in July 1987.⁸

With the Regulation the Commission also introduced a new presentation referring to the additional code the Combined Nomenclature.⁹

2.1.200. On 30 June the Commission amended¹⁰ its Regulation of 11 November 1985 providing for the advance fixing of monetary compensatory amounts¹¹ to enable MCAs fixed in advance to be adjusted under the automatic dismantling arrangements after public announcement of the dismantling plan.

Market organizations

Cereals and rice

2.1.201. On 27 June the Commission, pursuant to the Act of Accession of Spain and Portugal, adopted a Regulation fixing for the 1988/89 marketing year the components intended to ensure protection of the processing industry in the cereals and rice sector in trade between Spain and the Community of Ten.¹²

¹ OJ C 44, 21.2.1980; Bull. EC 1-1980, point 2.1.47.

² Bull. EC 3-1988, point 2.1.138; Bull. EC 4-1988, point 2.1.127; Bull. EC 5-1988, point 2.1.119.

³ OJ C 139, 30.5.1988; Bull. EC 3-1988, points 1.2.1 to 1.2.7 and 2.1.139.

⁴ OJ L 182, 3.7.1987; OJ L 183, 3.7.1987; OJ L 184, 3.7.1987; Bull. EC 6-1987, points 1.3.1 and 2.1.148 to 2.1.166.

⁵ OJ C 187, 18.7.1988.

⁶ OJ C 167, 27.6.1988; Bull. EC 5-1988, point 2.1.120.

⁷ OJ L 167, 1.7.1988.

⁸ OJ L 182, 3.7.1987; Bull. EC 6-1987, point 2.1.165.

⁹ OJ L 256, 7.9.1987; Bull. EC 7/8-1987, point 2.1.80.

¹⁰ OJ L 166, 1.7.1988.

¹¹ OJ L 310, 21.11.1985.

¹² OJ L 160, 28.6.1988.

Pigmeat

Market situation¹

2.1.202. The census of pig numbers in the Community in April revealed a drop of 0.7% in total numbers and of 1.9% in the number of covered sows. This bears out the trend already apparent in the December 1987 census¹ and will be reflected in a 1 to 2% decline in the production of pigs for slaughter from mid- to end-1988 and by a drop of some 4% at the start of next year. The pig cycle has now peaked, and the outlook points to a fall in production in 1989.

The private storage aid for pigmeat that had been granted since 15 February came to an end at the start of June with a record quantity of slightly more than 200 000 tonnes in storage. This measure,² which was intended to regulate supplies by withdrawing the surplus that was then on the market, has helped maintain producer prices at an acceptable level, taking account of the crisis that pig breeders have been facing lately as a result of overproduction.

Wine

2.1.203. On 28 June the Commission sent the Council a proposal³ to amend the Regulation of 28 June 1984⁴ authorizing the offer or disposal for direct human consumption of certain imported wine which may have undergone oenological processes not provided for in the Regulation of 5 February 1979.⁵ The aim of this proposal is to extend for a further year the possibility for the USA to offer for direct human consumption in the Community wine originating in the USA which has been the subject of oenological practices not authorized by Community rules.⁶ Except by derogation approved by the Council, such wine may not be brought into the Community for this purpose. A derogation was granted until 26 July 1988 for wine originating in the USA. The USA has asked that it be made permanent or at least extended for five years.

2.1.204. Experience has shown that the same technical reasons which justify not including grape must intended for concentration after 15 March in the products to be taken into account for determining the quantity of wine to be delivered for compulsory distillation, are valid in respect of must intended for the preparation of grape juice and sparkling wine after that date. The Commission therefore decided by Regulation on 8 June⁷ that in order to avoid any discrimination it was necessary to extend to these products the arrangements laid down for concentrated must.⁸

2.1.205. The Commission supplemented and amended by a Regulation adopted on 10 June⁹ the detailed rules for the description and presentation of wines and grape musts¹⁰ following a number of changes¹¹ made by the Council to the general rules and in response to requests from non-member countries. This Regulation takes account of the experience gained as regards rectified concentrated grape must.

2.1.206. The Commission decided by Regulation on 24 June that the campaigns to promote the consumption of grape juice which are financed using a proportion of the aid for the use of grape must in the manufacture of grape juice should be carried out in 1987/88 in France, Germany, Italy and Spain and that a study to determine the utility of a promotional campaign should be carried out in Belgium.¹² It set the total amount available for the financing of such campaigns at 4 520 000 ECU.

¹ Bull. EC 3-1988, point 2.1.142.

² OJ L 32, 4.2.1988.

³ COM(88) 348 final.

⁴ OJ L 176, 3.7.1984; Bull. EC 6-1984, point 2.1.90.

⁵ OJ L 54, 5.3.1979.

⁶ Bull. EC 7/8-1983, points 2.2.44 to 2.2.46. Bull. EC 4-1988, points 2.1.136 and 2.2.15.

⁷ OJ L 142, 9.6.1988.

⁸ OJ L 45, 18.2.1988; Bull. EC 2-1988, point 2.1.119.

⁹ OJ L 145, 11.6.1988.

¹⁰ OJ L 106, 16.4.1981.

¹¹ OJ L 330, 21.11.1987; Bull. EC 11-1987, point 2.1.202.

¹² OJ L 158, 25.6.1988.

Milk and milk products

2.1.207. On 29 June the Council, acting on a proposal from the Commission,¹ adopted a Regulation² amending the Regulation of 16 March 1987³ on the temporary withdrawal of a proportion of the reference quantities allocated under the arrangements for the application of the additional milk levy. The amending Regulation authorizes Greece to invest in programmes for the improvement of milk quality the funds intended, but not used, for the payment of compensation to individual producers for the reduction in their milk production when a certain reference quantity was reached.

2.1.208. The favourable trend on the market in skimmed milk and skimmed-milk powder and the resultant sharp reduction in public stocks have made it possible to reduce the level of aid for these products. The Commission therefore cut, by Regulations adopted on 1 June, the aid granted for skimmed milk and skimmed-milk powder for use as feed and the aid granted for skimmed milk processed into casein and caseinates.⁴ In the same context, the Commission reduced the compulsory rate of incorporation of skimmed-milk powder in compound feed.

2.1.209. On 3 June the Commission, in the interests of clarity, adopted a Regulation⁴ consolidating the detailed rules for the application of the additional milk levy which were laid down by the much-amended Commission Regulation of 16 May 1984.⁵

2.1.210. The Commission decided to grant private storage aid for Italian Pecorino Romano cheese⁶ and for Greek kefalotyri and kasseri cheeses⁷ to help offset marketing difficulties during the summer period when production is high and consumption down.

2.1.211. By a Regulation adopted on 15 June⁸ the Commission decided to respond favourably to a request from the Algerian, Egyptian and Tunisian authorities that they be permitted exceptionally to import certain

quantities of Community butter on special terms for purely social uses. These deliveries will be made under the special programme for the disposal of intervention butter.⁹

Beef/veal

2.1.212. On 13 June the Council, acting on a proposal from the Commission,¹⁰ adopted two Regulations opening, allocating and providing for the administration of tariff quotas:¹¹

(i) of 42 600 head of heifers and cows, other than those intended for slaughter, of certain mountain breeds falling within sub-heading ex 01.02 A II of the Common Customs Tariff, for the period 1 July 1988 to 30 June 1989 at a duty of 4%; the volume of this quota has remained at 42 600 head since 1986;

(ii) of 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 1 II, at a duty of 4% as laid down under GATT rules.

Oils and fats

2.1.213. On 29 June the Council, acting on a proposal from the Commission,¹² adopted a Regulation² amending the Regulation of 25 February 1986 laying down general rules for the system for controlling the prices and the quantities of certain products in the oils and fats sector released for consumption in Spain.¹³ As regards sunflower oil produced in Spain, the forecast supply balance will in future be drawn up

¹ Bull. EC 4-1988, point 2.1.139.

² OJ L 170, 2.7.1988.

³ OJ L 78, 20.3.1987; Bull. EC 3-1987, point 2 1 150.

⁴ OJ L 139, 4.6.1988.

⁵ OJ L 132, 18.5.1984; Bull. EC 5-1984, point 2.1.125.

⁶ OJ L 136, 2 6 1987.

⁷ OJ L 147, 14.6.1988

⁸ OJ L 150, 16.6.1988.

⁹ OJ L 79, 21.3.1987; Bull. EC 3-1987, point 2.1.182.

¹⁰ OJ L 30, 4.2.1988, Bull. EC 1-1988, point 2.1.80.

¹¹ OJ L 152, 18.6.1988.

¹² Bull. EC 5-1988, point 2.1.141.

¹³ OJ L 53, 25.2.1986

for each marketing year, before a date to be determined, and not before the start of the calendar year as previously.

2.1.214. On 24 June the Commission adopted a Regulation fixing the estimated production of olive oil and the amount of the unit production aid that may be paid in advance for the 1987/88 marketing year.¹ This is the first time that the maximum guaranteed quantity arrangements for olive oil have been implemented. The amount of the advance payment derived from the estimated production of olive oil for 1987/88 allows for considerable leeway.

2.1.215. On June the Commission adopted two Regulations,² the first amending the Regulation of 18 May 1977 on the characteristics of olive oil and of certain products containing olive oil and amending the Common Customs Tariff nomenclature as regards olive oil,³ the second laying down special marketing standards for olive oil and amending the Regulation of 14 April 1988 laying down special provisions on the marketing of olive oil containing undesirable substances.⁴

The purpose of these Regulations is to ensure that virgin olive oil released for consumption in the Community from 1 July 1988 does not contain any more than an insignificant trace of tetrachloroethylene (0.1 mg/kg). Provision is also made for the necessary transitional measures to allow the market to return to normal.

2.1.216. Likewise on 30 June the Commission adopted a Regulation² amending the Regulation of 10 December 1985 on the buying-in and storage of olive oil by intervention agencies.⁵ One effect of this amendment is to eliminate the possibility of intervention buying-in of olive-residue oil as part of a more stringent management of intervention.

Sugar

2.1.217. On 13 June the Commission adopted a Regulation amending certain

Regulations concerning the application of the market organization for sugar following the introduction of the Combined Nomenclature.⁶ Since the CN was introduced with effect from 1 January 1988,⁷ the Commission has had to make a number of purely technical adaptations to certain Regulations. Moreover, in view of the number and content of the texts requiring amendment, it was felt necessary to bring together in a single Regulation all the amendments in question.

Flax and hemp

2.1.218. On 27 June the Commission adopted a communication to be sent to the Council on the programme of measures to encourage the use of flax fibre for the 1987/88, 1988/89 and 1989/90 marketing years.⁸ This programme comprises a number of measures relating to the search for new outlets and, most important, information campaigns aimed at maintaining the standing that flax has acquired within the clothing industry and at extending it to other industries. The cost of the programme, which is funded by withholding a portion of the aid for flax, is estimated at 7.15 million ECU, and it will cover a period of two years from the end of 1988.

Structures

Environment

2.1.219. On 10 June the Commission sent the Council a paper on environment and agriculture⁹ with the aim of clarifying the Commission's position as regards further

¹ OJ L 158, 25.6.1988.

² OJ L 166, 1.7.1988.

³ OJ L 128, 24.5.1977

⁴ OJ L 98, 15.4.1988, Bull. EC 4-1988, point 2.1.143.

⁵ OJ L 333, 11.12.1985.

⁶ OJ L 152, 18.6.1988.

⁷ OJ L 256, 7.9.1987; Bull. EC 7/8-1987, point 2.1.80.

⁸ COM(88) 372 final.

⁹ COM(88) 338 final.

integration of environmental policy into the common agricultural policy.

This communication, which follows on from the considerations set out in the Green Paper of July 1985¹ and from Parliament's resolution of 19 February 1986,² deals in particular with the consequences of recent developments in agriculture for the environment.

It identifies the main problems encountered with regard to land use, intensive crop and livestock production and the use of pesticides. It accordingly suggests a number of lines of action to be taken by the end of 1988 involving the revision of existing or already proposed rules (on pesticides and environmental impact assessment) as well as new proposals (on farming without the use of synthetic chemicals and on the protection of water resources against pollution from livestock manure and from nitrogenous fertilizers).

The Commission also intends to promote measures to educate the farming community on matters of environmental protection and will proceed with thorough studies on the use of economic instruments as a means of reducing consumption of chemical fertilizers and pesticides and on the promotion of alternative economic activities which would allow farmers to improve their income (agritourism, hunting, game rearing, etc.).

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2.1.220. On 15 June the Commission sent the Council a proposal for a Directive amending the Directive of 28 July 1982 relating to the organization by Member States of surveys on the earnings of permanent and seasonal workers employed in agriculture (→ point 2.5.1).

2.1.221. In June Parliament approved³ the proposal for a Decision on special support for the development of agricultural statistics in Ireland.⁴

2.1.222. On 2 June the Economic and Social Committee adopted an opinion on the same proposal (→ point 2.4.51).⁴

Legislation

Veterinary and animal husbandry

2.1.223. On 17 June the Council adopted a Decision and three Directives which represent a considerable step towards the achievement of the internal meat market.

The Decision determines the amounts of the fees to be charged by Member States in respect of health inspections and controls of fresh meat.⁵ These arrangements include the setting of average standard levels of fees which may be increased or reduced by derogation to allow for actual inspection costs. However, a lower limit is set on reductions (at most 55%). Member States should be able to justify the rate chosen (lower-than-average wage costs, etc.). The Decision also specifies the fees to be charged for checks on slaughter operations and on meat in storage. These fees will replace all other animal health fees charged by national or local authorities in the Member States for carrying out and certifying health inspections and controls of fresh meat. They will normally be paid by the natural or legal person on whose behalf the slaughter, cutting or storage operations are carried out.

The first Directive lays down the animal health rules to be observed as regards intra-Community trade in, and imports of, deep-frozen semen of animals of the bovine species.⁶ Among other things, these rules are aimed at preventing the spread of certain diseases transmissible to animals through semen and introducing Community rules for approving insemination centres.

The second lays down the health rules and the health inspection fees applying to meat intended for the domestic markets of the

¹ Bull. EC 7/8-1985, point 1.2.1 *et seq.*

² OJ C 68, 24.3.1986; Bull. EC 2-1986, point 2 4 19.

³ OJ C 187, 18.7.1988.

⁴ OJ C 118, 5.5.1988, Bull. EC 4-1988, point 2.1.155.

⁵ OJ C 180, 18.7.1986; Bull. EC 6-1986, point 2.1.201.

⁶ OJ C 267, 6.10.1983; Bull. EC 9-1983, point 2.1.103; OJ C 2, 6.1.1987

Member States.¹ The Directive is aimed at providing consumers with a high, uniform level of health protection and at reducing distortions of competition between produce for the domestic market and produce for intra-Community trade. It extends to meat inspected for the domestic markets the amounts of the fees laid down for meat inspected in accordance with the Directives governing intra-Community trade.²

Lastly, the third Directive specifies the guarantees required in regard to enzootic bovine leucosis in intra-Community trade.³ The main rules applied previously will apply until 1 July 1990. However, a new screening test (enzyme-linked immunosorbent assay—Elisa) was approved from 1 July 1988. From 1 July 1990, herds may be recognized as enzootic bovine leucosis-free for Community purposes. The Member States will, in the mean time, determine the status of their herds. The Council has until 1 January 1990 to determine the criteria according to which Member States or parts of their territory may be recognized as enzootic bovine leucosis-free.

2.1.224. On 13 June the Commission granted the United Kingdom a derogation and specified the equivalent health conditions to be complied with as regards the cutting of fresh meat.⁴

2.1.225. On 16 June Parliament adopted an opinion⁵ on the proposal for a Directive on health problems affecting the production and the placing on the market of egg products.⁶

2.1.226. On 3 June the Economic and Social Committee adopted an additional opinion⁷ on the proposal for a Regulation laying down health conditions for the marketing of fish and fish products concerning nematodes (→ point 2.4.50)⁸

Plant health

2.1.227. On 15 June the Commission adopted a Decision⁹ addressed to Italy requiring it to rescind immediately restrictions on imports of fresh cultivated mush-

rooms as the potential presence of certain nematodes did not constitute an imminent danger within the meaning of the Council Directive of 21 December 1976 on protective measures against the introduction into the Member States of organisms harmful to plants or plant products.¹⁰

2.1.228. On 29 June the Commission adopted a Decision authorizing the Member States to provide for derogations from certain provisions of the Council Directive of 21 December 1976,¹⁰ in respect of growing medium originating in non-member countries. The aim of this Decision is to allow Member States to permit the import of soil for scientific work under certain special conditions to be determined by the national body responsible for plant protection.

2.1.229. On 29 June the Commission adopted a seventh Directive amending certain Annexes to the Council Directive of 21 December 1976 on protective measures against the introduction into the Member States of organisms harmful to plants or plant products.¹⁰ The aim of this amendment is to bring in protective measures against the introduction of *Thrips palmi* and to cancel those relating to Dutch elm disease (*Ceratocystis ulmi*).

2.1.230. In June Parliament approved⁵ the proposal adopted by the Commission in March¹¹ for a Directive to amend this same Directive of 21 December 1976.¹⁰

¹ OJ C 302, 27.11.1986; Bull. EC 11-1986, point 2.1.199; OJ C 298, 7.11.1987; Bull. EC 10-1987, point 2.1.160.

² OJ 121, 29.7.1964.

³ OJ C 5, 9.1.1988.

⁴ OJ L 177, 8.7.1988.

⁵ OJ C 187, 18.7.1988.

⁶ OJ C 67, 14.3.1987; Bull. EC 2-1987, point 2.1.136.

⁷ First opinion: OJ C 134, 24.5.1988; Bull. EC 3-1988, point 2.4.36.

⁸ OJ C 66, 11.3.1988; Bull. EC 2-1988, point 2.1.136.

⁹ OJ L 188, 19.7.1988.

¹⁰ OJ L 26, 31.1.1977.

¹¹ OJ C 117, 4.5.1988; Bull. EC 3-1988, point 2.1.169.

Seeds and propagating material

2.1.231. On 13 June the Council, acting on proposals from the Commission,¹ adopted two important Directives on quality standards for seeds.² These amend all the existing Directives on the marketing of seed of species of agricultural plants and vegetables.³

The principal provisions of the first of these Directives bring further species within the scope of the existing Directives, provide for the organization of temporary experiments on alternatives to certain elements of the seed certification system, improve the rules on seed labelling and establish a framework for the progressive adaptation of certain old vegetable varieties ('umbrella' varieties) to modern standards.

The second lays down the legal basis for establishing a new system governing derogations for the marketing of seed which does not meet the standards required by the existing Directive.

Competition

2.1.232. On 17 June the Council, acting on a proposal from the Commission,⁴ approved a Decision on aid granted to farmers in the Federal Republic of Germany. This Decision provides for special national aid from 1 January 1989 to compensate for the reduction in prices in terms of national currency and consequently the fall in farmers' incomes which will result in Germany from the adjustment of agricultural conversion rates from the 1988/89 marketing year following the European Council's Decision of 30 June 1987.⁵ The volume of this aid may not exceed that of the additional aid (2% VAT) which was authorized by the Council Decision of 30 June 1984⁶ following the June 1984 European Council meeting in Fontainebleau.⁷ It was decided that the new aid could not be linked to production.

2.1.233. Under the terms of Articles 92 to 94 of the EEC Treaty, the Commission decided to make no comment on the intro-

duction of the following proposed schemes, which had been duly notified.

Federal Republic of Germany

Pilot scheme on the marketing of alternative agricultural products.

Bavaria

Improvement of agricultural structures: furtherance of measures relating to joint water-engineering works, land consolidation and the construction of forest paths.

Hessen

Interest-rate subsidy on loans taken out to finance farm investments.

Measures to promote land rental and purchase with the transfer of milk reference quantities.

Schleswig-Holstein

Variation of an existing scheme on the advertising of high-quality products.

Italy

Piedmont

Bill of 29 April 1987 on measures to promote production in the Piedmont region (search for new outlets, advertising, promotional campaigns, etc.).

Portugal

Specific case of aid to be granted under Article 4 of Decree-Law No 283 A/86 of 5

¹ OJ C 356, 31.12.1985; OJ C 287, 14.11.1986.

² OJ L 187, 16.7.1988.

³ OJ 125, 11.7.1966; OJ L 169, 10.7.1969; OJ L 225, 12.10.1970.

⁴ COM(88) 325 final.

⁵ Bull. EC 6-1987, point 1.1.1 *et seq.*

⁶ OJ L 185, 12.7.1984; Bull. EC 6-1984, point 2.1.88.

⁷ Bull. EC 6-1984, point 1.1.1. *et seq.*

September 1986 to an almond, fig, bean and chick-pea processing and packaging plant.

United Kingdom

Woodland grant scheme

Farm woodland scheme (planting and maintenance).

2.1.234. The Commission decided to terminate the Article 93(2) procedure in respect of the following schemes:

Italy

Sicily

Regional Act amending Regional Act No 16 of 2 March 1981 as regards in particular the glasshouse sterilization aid, as the Sicilian authorities had decided to discontinue the aid.

Act No 58 of 14 June 1983 amending and supplementing Regional Acts Nos 86 and 87 of 5 August 1982 as regards aid to farmers and certain producers and emergency measures to assist farmers; these involved, in particular, a subsidy of LIT 4 500/hl of milk. The Sicilian authorities had not granted the aid and had decided not to finance it in future.

European Agricultural Guidance and Guarantee Fund

2.1.235. On 24 June the Council adopted, after receiving the opinions of Parliament,¹ the following three Regulations (→ points 2.3.7 and 2.3.15):

(i) a Regulation amending the Regulation of 21 April 1970 on the financing of the common agricultural policy;

(ii) a Regulation amending the Regulation of 2 August 1978 laying down general rules for the financing of interventions by the EAGGF Guarantee Section;

(iii) a Regulation on the grant of financial compensation to Spain and Portugal for the

depreciation of certain stocks of agricultural products.

Guarantee Section

2.1.236. On 6 June the Commission, in accordance with paragraph 8 of the conclusions of the European Council of last February,² sent the budget authority the third monthly report on the development of EAGGF Guarantee expenditure (early warning system).³ This gives provisional figures for expenditure by the Member States between November 1987 and March 1988.

Fisheries

Council

2.1.237. The Council, meeting in Luxembourg on 23 and 24 June, adopted a joint position on the amendment of the Regulation of 29 December 1981 on the common organization of the market in fishery products (→ point 2.1.249), and adopted two Regulations, one amending that of 7 October 1986 laying down certain technical measures for the conservation of fishery resources (→ point 2.1.238) and the other that of 2 August 1985 laying down certain technical measures for the conservation of fish stocks in the Antarctic (→ point 2.1.246). It also formally adopted a Regulation on conclusion of the sea fisheries agreement between the Community and Morocco (→ point 2.1.239).

On 9 June the Council adopted a Regulation on the implementation by the Community of the new joint international inspection scheme adopted by the North-West Atlantic Fisheries Organization (→ point 2.1.245).

¹ OJ C 167, 27.6.1988, Bull. EC 5-1988, point 2.3.6, OJ C 187, 18.7.1988.

² Bull. EC 2-1988, point 1.1.1.

³ Bull. EC 5-1988, point 2.1.168

Resources

Internal aspects

Community measures

Technical measures

2.1.238. On 23 June the Council, acting on a Commission proposal,¹ adopted a Regulation² amending for the fifth time the Council Regulation of 7 October 1986 laying down certain technical measures for the conservation of fishery resources.³

External aspects

Bilateral relations

Morocco

2.1.239. On 23 June the Council, acting on a Commission proposal⁴ after receiving a favourable opinion from Parliament,⁵ adopted a Regulation concerning the conclusion of a sea fisheries agreement between the Community and Morocco and laying down provisions for its implementation. The agreement was initialled in Brussels on 25 February⁶ and signed in Rabat on 26 May.⁷

Norway

2.1.240. On 29 June the Council, acting on a Commission proposal,⁸ adopted a Regulation⁹ amending that of 15 December 1987 allocating for 1988 certain catch quotas between Member States for vessels fishing in the Norwegian exclusive economic zone and in the fishing zone around Jan Mayen.¹⁰

Greenland

2.1.241. On 21 June, since no Council decision had been taken within the time set, the Commission withdrew its proposal of 2 May on acceptance by the Community of additional catch quotas offered by Greenland for 1988.¹¹

Mauritania

2.1.242. The Joint Committee set up under the EEC-Mauritania Fisheries Agreement¹² met in Brussels on 13 and 14 June.

Sweden

2.1.243. The Community and Sweden agreed on Community fishing rights for 1988 in the Swedish part of the former 'white zone' in the Baltic Sea. An agreement was needed following settlement at the beginning of the year of a long-standing dispute over the zone between Sweden and the Soviet Union.

Nigeria

2.1.244. On 27 June the Commission recommended that the Council adopt a Decision authorizing it to negotiate a fisheries agreement with Nigeria. The purpose of negotiating such an agreement would be to provide Community fishermen with additional fishing grounds in the Eastern Central Atlantic.

Multilateral relations

North-West Atlantic Fisheries Organization

2.1.245. On 9 June the Council, acting on a Commission proposal,¹³ adopted a Regulation¹⁴ on the implementation by the Community of the joint international inspection scheme¹⁵ adopted by NAFO.

¹ Bull. EC 11-1987, point 2.1.220.

² OJ L 179, 9.7.1988.

³ OJ L 288, 11.10.1986; Bull. EC 10-1986, point 2.1.174.

⁴ OJ C 104, 20.4.1988; Bull. EC 3-1988, point 2.1.181.

⁵ OJ C 187, 18.7.1988.

⁶ Bull. EC 2-1988, point 2.1.152a.

⁷ Bull. EC 5-1988, point 2.1.172.

⁸ COM(88) 362 final.

⁹ OJ L 170, 2.7.1988.

¹⁰ OJ L 375, 31.12.1987; Bull. EC 12-1987, point 2.1.252.

¹¹ Bull. EC 4-1988, point 2.1.167.

¹² OJ L 388, 31.12.1987; Bull. EC 12-1987, point 2.1.256;

Bull. EC 5-1987, point 2.1.192.

¹³ Bull. EC 5-1988, point 2.1.178.

¹⁴ OJ L 175, 6.7.1988.

¹⁵ Bull. EC 2-1988, point 2.1.156.

Convention on the Conservation of Antarctic Marine Living Resources

2.1.246. On 23 June the Council, acting on a Commission proposal,¹ adopted a Regulation² amending that of 2 August 1985 laying down certain technical measures for the conservation of fish stocks in the Antarctic.³

International Whaling Commission

2.1.247. The Commission represented the Community as an observer at the 40th annual meeting of the International Whaling Commission held at Auckland in New Zealand from 30 May to 3 June.⁴

North Atlantic Salmon Conservation Organization

2.1.248. The Commission represented the Community at the fifth annual meeting⁵ of the North Atlantic Salmon Conservation Organization, held at Reykjavik from 13 to 17 June. An overall quota of 2 520 tonnes for the 1988, 1989 and 1990 fishing seasons was set for the West Greenland fishing area. This is a matter of considerable importance to the Community since some 50% of the salmon migrating through Greenland waters are of Community origin.

Market and structures

Market organization

2.1.249. On 23 June the Council adopted a joint position on changes⁶ to Regulation (EEC) No 3796/81 of 29 December 1981 on the common organization of the market in fishery products.⁷ The purpose of these amendments is to adjust the market organization to the new situation following enlargement and changes in the tuna market and to involve producers' organizations in the running of the Community intervention arrangements. It is proposed to introduce a specific intervention scheme for 15 species of particular economic importance in one or other Member State or in certain Community regions, to alter the private storage

aid scheme for certain products frozen on board and to adjust and expand the intervention scheme for tuna.

Structures

2.1.250. On 29 June the Commission adopted a Regulation⁸ laying down rules for the application of the Regulation of 18 December 1986 on Community measures to improve and adapt structures in the fisheries and aquaculture sector⁹ as regards cooperation premiums for joint ventures.

2.1.251. On 30 June the Commission, acting under Regulation (EEC) No 355/77 of 15 February 1977 on common measures to improve the conditions under which agricultural and fishery products are processed and marketed,¹⁰ granted 9 927 000 ECU towards 40 projects as the first 1988 instalment of aid from the EAGGF Guidance Section. The breakdown is shown in Table 2.

Table 2 — EAGGF Guidance aid, first 1988 instalment

	Number of projects	Aid granted (ECU)
Belgium	1	393 360
Denmark	4	981 497
Germany (FR)	1	1 088 261
Spain	5	1 612 203
France	4	796 132
Ireland	5	1 029 584
Italy	3	1 745 066
Netherlands	5	619 770
Portugal	5	707 327
United Kingdom	7	953 908
Total	40	9 927 108

¹ Bull. EC 5-1988, point 2.1.179.

² OJ L 162, 29.6.1988.

³ OJ L 210, 7.8.1985; Bull. EC 7/8-1985, point 2.1.176.

⁴ Previous meeting: Bull. EC 6-1987, point 2.1.216.

⁵ Previous meeting: Bull. EC 6-1987, point 2.1.215.

⁶ OJ C 145, 3.6.1987; Bull. EC 4-1987, point 2.1.139.

⁷ OJ L 379, 31.12.1981; Bull. EC 12-1981, point 2.1.140.

⁸ OJ L 171, 4.7.1988.

⁹ OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.285.

¹⁰ OJ L 51, 23.2.1977.

State aid

2.1.252. The Commission approved the new version of the guidelines for the examination of State aid in the fisheries sector. This takes account of the new rules on structures, the relationship between fisheries and shipbuilding and the experience gained from application of the initial guidelines adopted in 1985.¹

Transport

Council

2.1.253. The Council discussed transport issues in Luxembourg on 20 and 21 June. It adopted an important Regulation on access to the road haulage market (→ point 1.4.1 *et seq.*) and reached conclusions on admission to the occupation of road haulage operator, on which it hoped to adopt the Commission's proposal soon.² The Council examined a series of dossiers designed to end distortion of competition and reached a broad consensus on the proposal for a Directive on standard checking procedures for the implementation of certain social legislation relating to road transport,³ on extension of roadworthiness tests to light goods vehicles and vans weighing less than 3.5 tonnes, including minimum inspection standards stipulating the inspection frequency and the technical points to be inspected,⁴ and on the weights and dimensions of two-axle and three-axle passenger service vehicles.⁵

At the same meeting the Council decided to extend for one year, ending on 31 December 1988, the arrangements for fixing the rates for road haulage services between Member States (→ point 2.1.257). It agreed conclusions on the transport negotiations with Austria, Switzerland and Yugoslavia which it asked the Commission to complete by 31 December 1989 (→ point 2.1.267). Finally, to follow up the Council's December 1986 conclusions the Presidency agreed con-

clusions on a Community railway policy (→ point 2.1.255).

Infrastructure

2.1.254. On 23 June the Commission sent the Council a proposal for a Regulation for an action programme in the field of transport infrastructure to pave the way for the fully integrated transport market in 1992.⁶

This programme takes up the key components of the medium-term programme,⁷ notably the objectives and criteria adopted by the Council in November 1986,⁸ but gives priority to a limited number of schemes on the main transport corridors between the Member States. The proposal will enable the Community to draw on all its resources and grant financial support from the Community budget or, where appropriate, from other financial instruments to infrastructure projects declared of European interest.⁹

Inland transport

Railways

2.1.255. Further to the conclusions on management of the Community's railways reached by the Council in December 1986,¹⁰ the Presidency agreed conclusions on Community railway policy which call on the railways to use their advantages to full effect, taking account of market conditions, and to cooperate on the internal market of

¹ OJ C 268, 19.10.1985; Bull. EC 10-1985, point 2.1.128.

² OJ C 102, 16.4.1988; Bull. EC 3-1988, point 2.1.188.

³ OJ C 116, 3.5.1988; Bull. EC 2-1988, point 2.1.160.

⁴ OJ C 133, 31.5.1986; Bull. EC 4-1986, point 2.1.151, OJ C 183, 11.7.1987; Bull. EC 6-1987, point 2.1.223.

⁵ Bull. EC 5-1988, point 2.1.186.

⁶ COM(88) 340 final.

⁷ OJ C 288, 15.11.1986; EC 6-1986, point 2.1.221.

⁸ Bull. EC 11-1986, point 2.1.227.

⁹ OJ C 80, 27.3.1987; Bull. EC 12-1986, point 1.3.8 *et seq.*

¹⁰ Bull. EC 12-1986, point 2.1.296.

the future. The Commission was asked to report to the Council by the end of the year on the obstacles standing in the way of a common internal market for the railways, and, by the same date, to complete its review of its 1984 proposals concerning financial relations between the railways and the Member States¹ in the light of the Council's conclusions of December 1986.

Road transport

Access to the market

2.1.256. On 21 June the Council adopted, on a proposal from the Commission, a Regulation on access to the international market for the carriage of goods by road (→ point 1.4.1 *et seq.*).

Fixing of rates

2.1.257. On 30 June the Council decided,² as proposed by the Commission,³ to extend by one year, ending on 31 December 1988, the arrangements introduced by the Council Regulation of 1 December 1983 on the fixing of rates for the carriage of goods by road between Member States.⁴

Taxation

2.1.258. On 3 June the Economic and Social Committee adopted an opinion on the proposal for a Directive on the charging of transport infrastructure costs to heavy goods vehicles⁵ (→ point 2.4.52).

Technical aspects

2.1.259. The Council adopted, on a proposal from the Commission, a Decision on a Community programme in the field of information technology and telecommunications applied to road transport on 29 June (→ point 2.1.83).

2.1.260. On 17 June Parliament endorsed⁶ the proposal for a Directive on the approximation of the laws of the Member States relating to the tread depth of tyres of certain categories of motor vehicles and of their trailers.⁷

2.1.261. On the same day Parliament endorsed⁶ the proposal⁸ for a Directive amending the maximum authorized weight set for refrigerated two-axle vehicles in the Directive of 19 December 1984 on the weights, dimensions and certain other technical characteristics of certain road vehicles.⁹

2.1.262. On 3 June the Economic and Social Committee adopted an opinion on this same proposal (→ point 2.4.53).

Social conditions

2.1.263. On 23 June the Commission sent the Council a proposal for a Directive on vocational training for certain drivers of vehicles carrying dangerous goods by road.¹⁰ This proposal fulfils one of the undertakings given by the Commission in its report on the transport of dangerous goods.¹¹ The objective is to lay down appropriate vocational qualifications, based on uniform criteria, for *all* drivers of road vehicles carrying dangerous goods, whether in bulk or in packages, nationally or internationally. The Directive will apply to vehicles with a laden weight of over 3.5 tonnes or, in the case of road tankers or tank-containers, with a total capacity of over 3 000 litres per transport unit.

¹ OJ C 36, 10.2.1984; Bull. EC 1-1984, point 2.1.100.

² OJ L 176, 7.7.1988.

³ OJ C 3, 7.1.1988; EC 11-1987, point 2.1.246.

⁴ OJ L 359, 22.12.1983; Bull. EC 12-1983, point 2.1.200.

⁵ OJ C 79, 26.3.1988; Bull. EC 12-1987, point 2.1.275.

⁶ OJ C 187, 18.7.1988.

⁷ OJ C 279, 17.10.1987; Bull. EC 9-1987, point 2.1.182.

⁸ Bull. EC 5-1988, point 2.1.186.

⁹ OJ L 2, 3.1.1985; Bull. EC 12-1984, point 2.1.200, OJ L 217, 5.8.1986; Bull. EC 7/8-1986, point 2.1.209.

¹⁰ COM(88) 339 final.

¹¹ Bull. EC 5-1987, point 2.1.148.

2.1.264. On 3 June the Economic and Social Committee adopted an opinion on the proposal¹ to amend the Regulations of 20 December 1985 concerning (i) the harmonization of certain social legislation relating to road transport and (ii) recording equipment in road transport,² and on the proposal for a Directive on standard checking procedures for the implementation of the 1985 Regulations (→ point 2.4.54).

Inland waterways

Access to the occupation

2.1.265. On 29 June the Commission accepted the request from the Spanish Government to exempt Spanish carriers of goods by waterway from the Council Directive of 9 November 1987 on access to the occupation of carrier of goods by waterway in national and international transport and on the mutual recognition of diplomas, certificates and other evidence of formal qualifications for this occupation.³

Sea transport

2.1.266. On 17 June Parliament endorsed⁴ the proposal for a Decision on the common position to be adopted by the Member States when signing and ratifying the United Nations Convention on Conditions for the Registration of Ships.⁵

International cooperation

2.1.267. As part of the first phase of the transport negotiations between the Community and Austria, Switzerland and Yugoslavia,⁶ the Commission reported to the Council on the early results of the talks.⁷ The Council undertook to adopt, by 31 December, negotiating directives to continue the talks, based on proposals to be put up by the Commission by 30 September.

2.1.268. On 29 June Mr Rudolf Streicher, the Austrian Minister for Transport, paid a visit to Mr Clinton Davis, the Member of the Commission with special responsibility for transport, to take stock of the discussions on transit problems (→ point 2.2.27).

Energy

Council

2.1.269. On 9 June the Council discussed, on the basis of a Commission working paper⁸ and for the second time,⁹ the extent to which the energy sector could contribute to completion of the internal market by 1992. The Presidency drew a number of conclusions from these discussions (→ point 2.1.270). It endorsed the general conclusions reached by the Commission in its report¹⁰ on the implementation by Member States of the Council recommendations of 24 May 1983 concerning the encouragement of investment in the use of solid fuels in industry, public buildings and district heating systems¹¹ and asked it for a further report in due course. The Council also considered the problems remaining to be solved with regard to a draft recommendation to the Member States on cooperation between public electricity suppliers and private electricity generators¹² and draft conclusions drawn up on the basis of the Commission communication¹³ on the main findings of its review of Member States' energy policies

¹ OJ C 116, 3.5.1988; Bull. EC 2-1988, point 2.1.160

² OJ L 370, 31.12.1985; Bull. EC 12-1985, point 2.1.214.

³ OJ L 322, 12.11.1987; Bull. EC 11-1987, point 2.1.247; Bull. EC 6-1987, point 2.1.226.

⁴ OJ C 187, 18.7.1988.

⁵ Bull. EC 9-1986, point 2.1.152.

⁶ Bull. EC 12-1987, point 2.1.283.

⁷ Bull. EC 1-1988, point 2.1.104.

⁸ Bull. EC 4-1988, point 1.1.1 *et seq.*

⁹ Bull. EC 6-1987, point 2.1.229.

¹⁰ Bull. EC 4-1988, point 2.1.185.

¹¹ OJ L 140, 31.5.1983; Bull. EC 5-1983, point 2.1.149.

¹² Bull. EC 4-1988, point 2.1.188.

¹³ Bull. EC 3-1988, point 2.1.198.

in the light of the 1995 Community energy objectives.¹

The Council adopted the recommendation to the Member States on developing the exploitation of renewable energy sources (→ point 2.1.271).

Development and implementation of a Community energy policy

Internal market in energy

2.1.270. In the light of the discussions on the establishment of an internal market in energy,² the Presidency adopted the following conclusions: a more fully integrated internal market in energy should contribute towards the 1992 target for the large single market, with beneficial consequences for living standards in the Community and a more highly competitive European economy. By facilitating greater intra-Community trade and encouraging a freer interplay of market forces, greater solidarity between Member States and more flexibility by firms, it will be an important factor in the Community's security of supply and help promote the political integration of the Community.

The Council agreed on the overall approach suggested by the Commission but considered that further work on the creation of an internal energy market should take account of the different economic situations and energy policies in the Member States and of the special characteristics of the energy market, in particular the long-term nature of energy supplies and the massive investment required for the exploitation and transport of energy sources.

Specific problems

Alternative energy sources

2.1.271. Following its agreement in principle given on 13 November 1987,³ and in the light of the opinions delivered by

Parliament on 20 May⁴ and by the Economic and Social Committee on 27 January,⁵ the Council formally adopted on 9 June, on a Commission proposal,⁶ amended on 6 June,⁷ a recommendation on developing the exploitation of renewable energy sources in the Community.⁸

2.1.272. A conference on the development of wind energy in the Community was held in Herning, Denmark, from 6 to 10 June. It was organized by the Commission in cooperation with the Danish Ministry of Energy and the European Wind Energy Association. More than 600 participants from Europe, the USA, Argentina, China and India heard papers on developments in this field and were able to see products exhibited by some 50 manufacturers.

Relations with countries producing or importing energy

2.1.273. Mr Mosar, Member of the Commission with special responsibility for energy, met Mr Arne Øien, the Norwegian Oil Minister, on 17 June under the programme of annual high-level meetings between the Commission and Norway on energy matters.⁹ The conclusions of the Council meeting on 9 June (→ point 2.1.269), developments in the energy sector in Norway and the international oil market were discussed at the meeting.

2.1.274. The Commission organized a seminar in Rio de Janeiro from 30 May to 3 June in cooperation with the International Training Centre for Energy Policy (Cifope), the Latin American Association of Energy Planners (Alape) and the Federal University of Rio de Janeiro. The seminar, which was attended by 120 participants from Europe

¹ OJ C 241, 25.9.1986; Bull. EC 9-1986, point 2.1.154.

² Bull. EC 4-1988, point 1.1.1 *et seq.*

³ Bull. EC 11-1987, point 2.1.257.

⁴ OJ C 167, 27.6.1988; Bull. EC 5-1988, point 2.1.191.

⁵ OJ C 80, 28.3.1988; Bull. EC 1-1988, point 2.4.45.

⁶ OJ C 279, 17.10.1987; Bull. EC 9-1987, point 2.1.192.

⁷ COM(88) 316 final.

⁸ OJ L 160, 28.6.1988.

⁹ Bull. EC 4-1986, point 2.1.157.

and Latin America, provided a forum for discussion on natural gas. Commission representatives explained what the Community had done to harmonize purchasing policies, pricing approaches, security of supply and connecting up of networks. The extremely important role which natural gas would play in Latin America and the prospects for industrial cooperation in this field between the two continents were discussed at the seminar.

Nuclear safety

Radiation protection

Basic standards

2.1.275. On 8 June the Commission adopted a draft proposal for a Directive on informing the population about health protection measures to be applied and steps to be taken in the event of a radiological emergency,¹ supplementing in this area the Directive laying down the basic safety standards for the health protection of the general public and workers against the dangers of ionizing radiation.² In accordance with Article 31 of the Euratom Treaty the draft was sent to the Economic and Social Committee for an opinion.

With this initiative the Commission honoured an undertaking given in its communications on the consequences of the Chernobyl accident³ and on the development of Community measures for the application of Chapter III of the Euratom Treaty (Health and safety).⁴ The proposed Directive specifies the respective content of the two types of information Member States would be required to provide: first, general information on a permanent basis for people liable to be affected by an emergency radiological situation about the measures taken to protect them and about the nature of any risk; second, specific information in the actual event of a radiological emergency. Due consideration is given to the transfron-

tier risk aspect, as regards both general information on the measures proposed to deal with accidents liable to cause contamination in another Member State and specific information in the event of an actual trans-frontier emergency.

2.1.276. On 14 June the Commission, having received the opinion of the Group of Experts referred to in Article 31 of the Euratom Treaty,⁵ sent the Council a letter⁶ suggesting limit values for baby foods and liquid foodstuffs to be inserted in the Annex to Council Regulation (Euratom) No 3954/87 of 22 December 1987 laying down maximum permitted levels of radioactive contamination of foodstuffs and of feedingstuffs following a nuclear accident or any other case of radiological emergency.⁷

2.1.277. On 27 June the Commission sent the Council, in response to the resolution of 22 December 1987,⁸ a proposal for a Regulation on the special conditions for exporting foodstuffs and feedingstuffs following a nuclear accident or any other case of radiological emergency.⁹ Under this proposal the limits imposed by the Community in respect of radioactive contamination of foodstuffs and feedingstuffs placed on the Community market must also apply to those products when they are exported from the Community.

Discharge of radioactive effluent

2.1.278. Under Article 37 of the Euratom Treaty the Commission delivered an opinion on 14 June on a plan to discharge radioactive effluent from the Vandellos II facility in Spain.¹⁰

¹ COM(88) 296.

² OJ L 246, 17.9.1980; OJ L 265, 5.10.1984, Bull. EC 9-1984, point 2.1.55.

³ Bull. EC 6-1986, points 2.1.146 and 2.1.241 to 2.1.246.

⁴ Bull. EC 7/8-1986, points 2.1.220 to 2.1.235.

⁵ Bull. EC 3-1988, point 2.1.203.

⁶ COM(88) 293 final.

⁷ OJ L 371, 30.12.1987; Bull. EC 12-1987, point 2.1.288.

⁸ OJ C 352, 30.12.1987, Bull. EC 12-1987, point 2.1.290.

⁹ COM(88) 295 final.

¹⁰ OJ L 188, 19.7.1988.

2. External relations

Uruguay Round

Meetings of negotiating groups

Agriculture

2.2.1. The Negotiating Group on Agriculture met in Geneva on 10 June, and the Community, as promised, presented detailed proposals for short-term measures to be taken in the context of the Uruguay Round. This follows its presentation in February¹ of detailed proposals for emergency measures designed to make practical and immediate improvements in the cereals, sugar and dairy products sectors, in order to counteract the deterioration of world market conditions and to improve the negotiating climate.

The Community is proposing that all Contracting Parties should freeze their support at 1983 levels, and would also be ready to commit itself to maintaining the progress made since then in reducing support, provided that the other Contracting Parties were prepared to give equivalent undertakings; this applies to the sectors in most difficulty, such as cereals, rice, sugar, oilseeds, dairy products and beef/veal.

The Community proposes that the instruments used to achieve the short-term objectives of the negotiations should be based on the OECD's 'producer subsidy equivalent', which measures total support for agriculture. Figures are available for the countries which have most influence on international trade, but would need certain adjustments.

Several Contracting Parties, including the USA, the Community itself, Japan, the Scandinavian countries and the Cairns Group,² presented general negotiating proposals at an earlier stage;³ the Community is one of the first to follow up with practical suggestions, concentrating on those aspects

of the negotiations which it regards as essential for rapid agreement on short-term measures. It nevertheless remains open to any suggestions which might be made by other Contracting Parties pursuing the same general objectives.

Functioning of the GATT system

2.2.2. The Negotiating Group on the Functioning of the GATT System met in Geneva from 20 to 22 June.⁴ The main item on the agenda was the question how to improve coherence in world economic policy-making, given the acknowledged links between trade, currencies and finance. The discussions were based on proposals from the Community and Canada for strengthening the relationship between GATT, the IMF and the World Bank.

GATT articles

2.2.3. The Negotiating Group on GATT Articles met in Geneva on 27 and 30 June.⁵ It continued its examination of articles of the General Agreement which participants considered in need of review.

Discussions centred on the balance-of-payments exception (Articles XII, XIV, XV and XVIII B). The Community reaffirmed its conviction that improved discipline on the use of trade restrictions by countries experiencing balance-of-payments difficulties was a necessary component of the overall objec-

¹ Bull. EC 2-1988, point 2.2.4.

² The group was set up on Australia's initiative in Cairns, Queensland, in August 1986 with the GATT round in view. Its members claim to be 'fair traders' which do not subsidize agriculture and suffer as exporters from the subsidies granted by the main industrialized countries. The Cairns Group consists of Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, Philippines, New Zealand, Thailand and Uruguay.

³ Bull. EC 2-1988, point 2.2.4.

⁴ Previous meeting. Bull. EC 1-1988, point 2.2.2.

⁵ Previous meeting. Bull. EC 5-1988, point 2.2.2.

tive of strengthening the GATT. Other articles discussed were Article XXI (national security exceptions) and Article XXV(5) (waivers). The Community proposal to secure better multilateral discipline on the waiving of GATT obligations received a large measure of support.

Textiles and clothing

2.2.4. The meeting of the Negotiating Group on Textiles and Clothing which was held in Geneva on 13 and 14 June provided the Community with the opportunity of commenting on the paper it had presented in May.¹ The first contribution from an importing country, it met a favourable overall reception. Some of the delegations from exporting countries expressed concern about the lack of progress made in the sector to date and insisted that work towards the objectives laid down at Punta del Este² should be speeded up as the ministerial meeting for the mid-term review in Montreal in December approached.

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2.2.5. The informal quadrilateral meeting held in Minnesota on 23 and 24 June was essentially given over to the Uruguay Round discussions (→ point 2.2.19).

Commercial policy

Implementing the common commercial policy

Commercial policy instruments

Easing of restrictive measures

2.2.6. Under the Council Regulation of 14 November 1983 on import arrangements for products originating in State-trading countries, not liberalized at Community

level,³ the Commission adopted the following measures:

(a) Opening of quotas

Federal Republic of Germany—Viet Nam: textile products (categories 4, 5, 6, 7 and 8);⁴

Italy—Hungary: road wheels and parts and accessories thereof (CN code 8708 70); aluminous cement ('ciment fondu') (CN code 2523 30 00); other hydraulic cements (CN code 2523 90);⁵

Italy-German Democratic Republic: fine heat-bonding thread for machine model 341 (category ex 42, CN code ex 5401 20 10);⁵

Italy—Romania: artificial staple fibres, not carded, combed or otherwise processed for spinning, of viscose (category ex 126, CN code 5504 10 00);⁵

Italy—People's Republic of China: men's pyjamas, of silk (category ex 18, CN code ex 6207 29 00); women's nightdresses and pyjamas, of silk (category ex 30 A, CN code ex 6208 29 00); women's dressing gowns, of silk (category ex 81, CN code ex 6208 99 00); satin cushion covers embroidered with silk (category ex 40, CN code ex 6304 99 00); hand-embroidered silk curtains (category ex 40, CN code ex 6303 99 90); embroidered silk table-cloths (category ex 39, CN code ex 6302 59 00);⁵

United Kingdom—People's Republic of China: television receivers (colour or monochrome), unassembled or disassembled (CN code ex 8528);⁵

Italy—Czechoslovakia: motor vehicles for the transport of 10 or more persons, including the driver (CN code 8702), and parts and accessories of the motor vehicles of

¹ Bull. EC 5-1988, point 2.2.1.

² Bull. EC 9-1986, point 1.4.1 *et seq.*

³ OJ L 346, 8.12.1983.

⁴ OJ C 172, 1.7.1988.

⁵ OJ C 155, 14.6.1988.

headings Nos 8701 to 8705 (CN code 8708);¹

United Kingdom—Czechoslovakia: footwear with uppers of rubber, footwear with outer soles of rubber and uppers of textile fabric (CCT ex 64.01 and 64.02 ex B);¹

Italy—German Democratic Republic: jackets and blazers for women, of wool or fine animal hair (CN code 6204 31 00, category ex 15); acrylic or modacrylic fibres (CN code 5503 30 00, category ex 124); sack kraft paper (CN code 4804 21 and 29) and semi-chemical fluting paper (corrugating medium) (CN code 4805 10 00).²

(b) Modification of quotas

United Kingdom—German Democratic Republic: tableware and other articles of a kind commonly used for domestic or toilet purposes, of porcelain or china, or other kinds of pottery (CCT 69.11 and 69.12);

statuettes and other ornaments, and articles of personal adornment; articles of furniture (CCT 69.13).³

(c) Safeguard measures

Greece—Bulgaria and Romania: the release for free circulation in Greece of glazed ceramic flags and paving, hearth or wall tiles, glazed ceramic mosaic cubes and the like, whether or not on a backing (CN code 6908), which originate in Bulgaria or Romania is subject to quantitative restrictions.⁴

Trade protection

2.2.7. Trade protection measures taken in June are shown in Table 3.

¹ OJ C 170, 29.6.1988.

² OJ C 172, 1.7.1988.

³ OJ C 173, 2.7.1988.

⁴ OJ C 176, 5.7.1988.

Table 3 — *Trade protection measures*

Commission

Anti-dumping proceedings

Provisional anti-dumping duty on imports of:

Paracetamol originating in the People's Republic of China

OJ L 155, 22.6.1988

(initiation of proceeding: OJ C 236, 2.9.1987)

Polyester yarn originating in Mexico, South Korea, Taiwan or Turkey

OJ L 151, 17.6.1988

(initiation of proceeding: OJ C 173, 1.7.1987)

Synthetic fibres of polyesters originating in Mexico, Romania, Taiwan, Turkey, the USA or Yugoslavia

OJ L 151, 17.6.1988

(initiation of proceeding: OJ C 173, 1.7.1987)

Notice of initiation of a review of anti-dumping measures concerning imports of:

Ferro-silicon originating in Iceland, Norway, Sweden, Venezuela or Yugoslavia

OJ C 145, 2.6.1988

(notice of expiry of price undertakings: OJ C 317, 28.11.1987)

Certain iron or steel coils, hot rolled, originating in Argentina or Canada

OJ C 158, 17.6.1988

(notice of expiry of price undertakings: OJ C 1, 5.1.1988; notice of expiry of anti-dumping duties: OJ C 56, 27.2.1988)

Certain ball-bearings originating in Japan

OJ C 159, 18.6.1988

(definitive anti-dumping duty: OJ L 193, 21.7.1984)

Light sodium carbonate originating in Bulgaria, the German Democratic Republic, Poland, Romania or the Soviet Union

OJ C 162, 21.6.1988

(notice of expiry of definitive anti-dumping duty: OJ C 317, 28.11.1987)

Notice of initiation of an anti-dumping proceeding concerning imports of:

Hydraulic excavators originating in Japan

OJ C 146, 3.6.1988

Wheeled loaders originating in Japan

OJ C 146, 3.6.1988

Glutamic acid and its salts originating in Indonesia, South Korea, Taiwan or Thailand and exported from those countries or from Austria or Switzerland

OJ C 147, 4.6.1988

Ball-bearings with greatest external diameter not exceeding 30 mm originating in Thailand

OJ C 147, 4.6.1988

Certain ball-bearings originating in Thailand

OJ C 147, 4.6.1988

Notice of opening of an investigation concerning:

Certain ball-bearings assembled in the Community

OJ C 150, 8.6.1988

Acceptance of an undertaking and termination of the anti-dumping investigation concerning imports of:

Oxalic acid originating in South Korea or Taiwan

OJ L 160, 28.6.1988

(provisional anti-dumping duty: OJ L 72, 18.3.1988)

Notice of the impending expiry of anti-dumping measures:

OJ C 143, 1.6.1988

Refund of anti-dumping duties collected on certain imports of:

Ball-bearings originating in Singapore (NMB (UK) Ltd)

OJ L 148, 15.6.1988

(definitive anti-dumping duty: OJ L 193, 21.7.1984)

Import and export arrangements

2.2.8. On 13 June the Council confirmed¹ the Commission Regulation of 29 February instituting a system for the authorization of imports into Italy of footwear originating in South Korea or Taiwan,² which applies until 30 June 1990.

2.2.9. Following a Community investigation initiated at the request of the French

authorities,³ the Commission decided on 30 June to institute a system for the authorization of imports of footwear originating in South Korea or Taiwan.⁴ Imports of footwear originating in Taiwan will be sub-

¹ OJ L 155, 22.6.1988.

² OJ L 54, 1.3.1988; Bull. EC 2-1988, point 2.2.10.

³ OJ C 274, 13.10.1987; Bull. EC 10-1987, point 2.2.11.

⁴ OJ L 166, 1.7.1988.

ject for a period of two and a half years to presentation of an import authorization issued up to certain limits. The South Korean authorities undertook to make the export of certain types of footwear subject to the issue of an export certificate from 1 July and to issue such certificates for exports to France within the quantitative limits until 30 June 1990.

*Treaties and trade agreements:
extension or automatic renewal*

2.2.10. On 30 June the Council authorized the extension or automatic renewal of certain trade agreements between Member States and other countries,¹ where the date for giving notice of denunciation fell between 1 May and 31 July 1988 (second batch for 1988).²

Individual sectors

Iron and steel products

2.2.11. On 24 June the Council took note of the Commission's intention of returning the Community steel industry to free-market conditions by eliminating production quotas for all product categories (→ point 2.1.53), but did not approve the removal of the supporting arrangements which can protect the industry, as it continues the painful process of restructuring, against unrestricted imports, often dumped, from non-member countries.

The external aspects of steel policy for 1989 therefore remain undecided, and the Commission and the Council will have to adopt measures later this year.

**Agreements and arrangements
with non-member countries**

2.2.12. The procedures for the signing by both parties of the voluntary restraint arrangement between the Community and Romania³ were completed in June.

Autonomous measures

2.2.13. On 13 June the Representatives of the Governments of the Member States meeting within the Council decided on certain measures to be applied, in respect of State-trading countries, to trade in iron and steel products covered by the ECSC Treaty, including pig iron, cast iron and high-carbon ferro-manganese.⁴

2.2.14. On 27 June the Commission adopted a Decision renewing the system of intra-Community surveillance of trade in iron and steel products originating in non-member countries which are in free circulation in a Member State.⁵ The system was amended as a result of the entry into force of the Harmonized System.

The purpose of the system is to monitor movements between Member States of products which are subject to national quotas or regional distribution quotas on the basis of the arrangements; it can trigger 'mutual assistance' in accordance with Article 71(3) of the ECSC Treaty.

Textiles

**Agreements and arrangements
with non-member countries**

MFA countries

2.2.15. The first round of negotiations on the renewal of the bilateral Textile Agreement concluded between the Community and the People's Republic of China on 18 July 1979⁶ took place in Brussels in the week of 30 May to 3 June. The two sides exchanged views on the economic, legal and administrative content of a future agreement, which will replace the existing one

¹ OJ L 174, 6.7.1988.

² Bull. EC 4-1988, point 2.2.6.

³ Bull. EC 2-1988, point 2.2.12; Bull. EC 4-1988, point 2.2.7.

⁴ OJ L 175, 6.7.1988.

⁵ OJ L 201, 22.7.1987, Bull. EC 6-1987, point 2.1.36.

⁶ Bull. EC 7/8-1979, point 2.2.16; Bull. EC 3-1984, point 2.2.13.

when it expires on 31 December. The Chinese delegation is seeking substantial improvements in China's access to the Community market for textile and clothing products. The Commission confirmed that while the Community was willing to consider possible ways of improving the content of the Agreement, it was necessary to take account of the problems facing the Community's textile and clothing industries. The delegations expressed their intention to resume the negotiations in September.

2.2.16. Consultations were held in Brussels on 2 and 3 June with an Indian delegation in connection with the bilateral Community-India Agreement on trade in textiles. Agreement was reached on adjustments to the limits on Indian exports of category 4 products (T-shirts) to take account of the entry into force of the Combined Nomenclature.

2.2.17. Consultations were held in Brussels on 6 and 7 June with representatives of the Turkish textile and clothing products exporters' associations in connection with the administrative cooperation arrangements between the Community and Turkey on trade in these products. Turkish Government observers attended the consultations, which resulted in an agreement on the extension of administrative cooperation to two new products (dressing gowns and dresses).

2.2.18. Consultations were held in Brussels on 28 and 29 June with a Philippine delegation in connection with the Community-Philippines Textile Agreement in order to examine a number of problems resulting from the entry into force of the Combined Nomenclature. A provisional solution was agreed concerning adjustments to certain quantitative ceilings for Philippine exports. Further consultations will be held in the autumn, with a view to agreeing a definitive solution.

Relations with industrialized countries

Quadrilateral meeting

2.2.19. Mr De Clercq, the Member of the Commission with special responsibility for external relations and trade policy, represented the Community at the informal quadrilateral meeting held to discuss trade at Brainerd, Minnesota, on 23 and 24 June.¹ Mr De Clercq and Mr Yeutter, the US Trade Representative, Mr Tamura, the Japanese Minister for International Trade and Industry, and Mr Crosbie, the Canadian Minister for Trade, discussed developments in the Uruguay Round.² The discussions were concerned mainly with the preparation of the mid-term review in Montreal in December and the progress made in the various negotiating groups on services, safeguards, dispute settlement, intellectual property, etc.

Western Economic Summit in Toronto

2.2.20. The 14th Western Economic Summit was held in Toronto from 19 to 21 June (→ points 1.6.1 *et seq.* and 3.5.1 *et seq.*).

At its close the Summit adopted an economic declaration, a political declaration on East-West relations, terrorism and narcotics, and the Chairman's summary of political issues (the Middle East, South Africa, and Cambodia).

USA

2.2.21. On 17 June Parliament adopted a resolution on protectionism in trade relations between the Community and the USA (→ point 2.4.24).³

Canada

2.2.22. In mid-June one of the long-standing disputes between Canada and the Com-

¹ Bull. EC 4-1988, point 2.2.14.

² Bull. EC 9-1986, point 1.4.1 *et seq.*

³ OJ C 187, 18.7.1988.

munity was finally resolved. On 20 March 1987 Canada had amended the tariff classification of pasta in such a way that the zero rate of duty previously applicable to Community exports was replaced by a 7.5% or 10% duty.¹ In the Commission's view, this reclassification contravened a Canadian GATT binding on pasta which dated from 1979.

In early March of this year Canada accepted the Community's point of view and, following lengthy procedures, the original zero rate of duty was restored on 17 June. Duties paid since 20 March 1987 may now be reclaimed.

Japan

2.2.23. Mr Takeshita, the Prime Minister of Japan, visited the Commission on 7 June. He had talks with Mr Delors about the preparations for the Toronto Western Economic Summit (→ points 1.6.1 *et seq.* and 3.5.1 *et seq.*), and they were then joined by Mr Narjes, Mr De Clercq and Mr Schmidhuber.

During this meeting, the two sides reaffirmed their willingness to develop their relations and intensify cooperation as far as possible.² The Members of the Commission drew the Japanese Prime Minister's attention to a number of matters: the reform of the taxation of alcoholic beverages,³ access to major works contracts,⁴ the taxation of motor vehicles, and the opening-up of financial markets⁵ and of telecommunications. The Prime Minister was particularly interested in the implementation of the single market, which should involve the abolition of any remaining restrictions in international trade.

European Free Trade Association

Ministerial meeting

2.2.24. The annual meeting between EFTA Ministers and the Commission,⁶ represented by Mr De Clercq, was held in Tampere, Finland, on 15 June with Mr

Salolainen, Finland's Minister for Foreign Trade, as chairman.

This meeting, the purpose of which was to take stock of progress in cooperation between the Community and EFTA and to examine the prospects for developing this cooperation further, was one of the most fruitful since the Luxembourg Declaration was adopted in April 1984.⁷

Results were obtained in all the spheres marked out for action by the Community and EFTA Ministers on 2 February.⁸ In combination with the decisions taken in 1987 on customs documentation (single administrative document), the simplification of transit and increased cooperation in research and development,⁹ the outcome of the Tampere meeting constitutes a major step forward towards the creation of a dynamic European economic space.

The Commission was able to announce Community decisions concerning the simplification of origin rules (cumulation) and the reciprocal extension to EFTA operators (→ point 2.1.100) of legal protection of the topography of semiconductors.¹⁰

Three agreements were concluded between the Commission and the EFTA countries concerning increased transparency on State aid, public procurement and trade arrangements for processed agricultural products. It was also decided to open negotiations on the reciprocal notification of technical regulations (mandatory standards) and the progressive abolition of remaining export restrictions. All in all, considerable progress was made on many issues and matters of real interest to business on both sides.

¹ Bull. EC 6-1987, point 2.2.9.

² Bull. EC 4-1988, points 1.3.1 and 1.3.2.

³ Bull. EC 10-1987, point 2.2.17; Bull. EC 11-1987, point 2.2.10.

⁴ Bull. EC 12-1987, point 2.2.15.

⁵ Bull. EC 7/8-1987, point 2.2.20; Bull. EC 9-1987, point 2.2.14.

⁶ Previous meeting: Bull. EC 5-1987, point 2.2.14.

⁷ Bull. EC 4-1984, point 1.2.1 *et seq.*

⁸ Bull. EC 2-1988, point 2.2.18.

⁹ Bull. EC 5-1987, points 2.1.53, 2.1.54 and 2.2.14.

¹⁰ OJ L 140, 7.6.1988; Bull. EC 5-1988, point 2.1.18.

EFTA Ministers and Mr De Clercq stressed that it was essential to move forward in areas such as education, environment, financial services, transport, product liability, indirect taxation, and counterfeiting.

Joint Committees

2.2.25. The Joint Committee set up under the Free Trade Agreement between the Community and Switzerland met in Geneva on 3 June. In addition to the usual items concerning reports on the trend of the steel markets, customs matters, the state of general cooperation and various agricultural problems, two substantive issues were raised: the interpretation of Article 13 of the EEC-Switzerland Agreement¹ and the draft agreement with Switzerland on direct insurance other than life assurance.

The Swiss authorities claim that, under the Article 13 provisions on measures having an effect equivalent to quantitative import restrictions, Swiss firms must be given the most favourable treatment available to competitors situated within the Community.² For example, in all those sectors where the Commission provides for mutual recognition of standards or tests/certificates between Member States, which is essential to the attainment of the internal market in 1992, Swiss exporters must be able to choose the national requirements which suit them in order to export to any Community country.

The Commission's view is that Article 13 of the Agreement is not directly applicable and that it cannot be interpreted in the same way as Article 30 of the EEC Treaty, which is the legal basis for mutual recognition among the Member States in the three sectors mentioned. There are at present no mutual recognition arrangements between the Community and Switzerland but the Commission will try and find a pragmatic solution to the individual problems raised.

The Commission will present informal suggestions to the Council regarding ways of overcoming the deadlock over the draft agreement on insurance.³

Meeting between the Economic and Social Committee and the EFTA Consultative Committee

2.2.26. The Economic and Social Committee and the EFTA Consultative Committee held their 16th joint meeting in Tampere, Finland, from 12 to 14 June.⁴

This meeting confirmed that economic and social circles on the two sides are anxious that there should be no barriers in Europe and that they wish to intensify and speed up cooperation. The prime concern voiced in the discussions was the development of the Community's internal market and in particular an integrated European financial area (→ points 2.1.6 and 2.1.8) and relations between EFTA and the Community in this context.

The second main topic was the environment and control of transfrontier pollution. Emphasis was placed on the priority which should be given to combating air, water and soil pollution, dealing with the problems of toxic waste and environmental accidents, and keeping exhaust gases from cars in check.

Other matters dealt with included the need for greater cooperation between EFTA and the Community in research and development, within the framework of education projects such as Comett⁵ and Erasmus,⁶ and also in the sphere of public procurement. Lastly, the need for close cooperation between EFTA and the Community in the Uruguay Round negotiations⁷ was also stressed.

Austria

2.2.27. On 29 June Mr Streicher, the Austrian Minister for Transport, visited Mr Clinton Davis, Member of the Commission,

¹ OJ L 300, 31.12.1972.

² Bull. EC 4-1988, point 2.2.20.

³ Bull. EC 12-1987, point 2.2.16.

⁴ Bull. EC 4-1987, point 2.2.18.

⁵ OJ L 222, 8.8.1986; Bull. EC 7/8-1986, point 2.1.95

⁶ OJ L 166, 25.6.1987, Bull. EC 6-1987, point 2.1.93.

⁷ Bull. EC 9-1986, point 1.4.1 *et seq*

in Brussels to take stock of the discussions on transit problems.¹

Mr Streicher put forward once again Austria's viewpoint and Mr Clinton Davis stressed that any agreement with the transit countries should include the following: reciprocal right of access to the other party's territory; measures to make intra-Community transport easier, wherever possible through the use of the shortest available transit routes; a guarantee that a satisfactory solution would be found to the problem of intra-Community road transit; improved cooperation between national railways and better combined transport.

2.2.28. On 30 June, the Council adopted a Decision concerning the conclusion of the Agreement in the form of agreed minutes relating to certain agricultural products negotiated between the Community and Austria under Article XXVIII of the GATT.

Iceland

2.2.29. During his visit to Reykjavik from 1 to 5 June, Commission Vice-President Mr Narjes had talks with the Prime Minister, Mr Pálsson, the Foreign Minister, Mr Hermansson, and the Minister for Industry and Energy, Mr Sophusson. He also met representatives of the employers' federation, the federation of industries and the exporters' association.

During his talks with Mr Sophusson, Mr Narjes discussed the Community's efforts to complete the internal market, Community policy *vis-à-vis* the EFTA countries in general and Iceland in particular, and the Community's activity under the framework research and technology programme.² He said that the Commission was ready to begin negotiations on bilateral cooperation agreements in the sphere of research and technology.

With a view to the completion of the internal market, Iceland showed great interest in close cooperation with the Community. The Icelandic Government declared its resolve to continue cooperation with the

Community and to share in the efforts to create a European economic space.

Norway

2.2.30. The annual high-level meeting between the Commission and Norway was held in Brussels on 6 June.³ Mr De Clercq met Mr Thorvald Stoltenberg, the Foreign Minister, and Mr Kurt Mosbakk, Minister for Trade and Shipping.

The meeting took place shortly before the debate in the Norwegian Parliament on the government's White Paper on Norway, the Community and European cooperation.⁴ The Ministers therefore showed a special interest in the latest developments within the Community concerning the internal market and the social dimension,⁵ the Delors plan⁶ and economic and monetary cooperation (→ points 1.1.1 to 1.1.4 and 3.4.1). The matter of continuing cooperation between the Community and EFTA was also examined, with particular regard to the fact that on 1 January of next year Norway will assume the chairmanship of EFTA.

2.2.31. As part of the annual high-level meetings on energy between the Commission and Norway, Mr Mosar, the Member of the Commission with special responsibility for energy, met the Norwegian Minister for Petroleum and Energy, Mr Arne Øien, on 17 June (→ point 2.1.273).

¹ Bull. EC 10-1987, point 2.1.206; Bull. EC 12-1987, point 2.1.283; Bull. EC 1-1988, point 2.1.104.

² OJ L 302, 24.10.1987; Bull. EC 9-1987, point 2.1.32.

³ Previous meeting: Bull. EC 6-1987, point 2.2.12.

⁴ Bull. EC 2-1988, point 2.2.24.

⁵ Bull. EC 2-1988, point 1.2.1 *et seq.*; Bull. EC 5-1988, point 1.1.1 *et seq.*

⁶ Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*; Bull. 7/8-1987, point 1.1.1 *et seq.*

Relations with other countries and regions

Mediterranean countries

Mediterranean policy of the enlarged Community

2.2.32. On 15 June Parliament gave its assent¹ to the recommendation for a Decision² concerning the conclusion of a Protocol to the Cooperation Agreement between the Community and Morocco³ consequent on the accession of Spain and Portugal.

2.2.33. The Protocol adapting the Association Agreement between the Community and Malta⁴ consequent on the accession of Spain and Portugal was initialled in Brussels on 7 June.

2.2.34. The Protocols⁵ adapting the EEC-Syria Cooperation Agreement⁶ following the enlargement of the Community were signed in Brussels on 16 June. They will entitle Syria to the same tariff arrangements as Spain and Portugal for its main agricultural exports to the Community and will extend the Cooperation Agreement to include the two new Member States.

Malta

2.2.35. The Additional Protocol to the EEC-Malta Association Agreement⁶ was initialled in Brussels on 7 June. It extends the Association Agreement until 31 December 1990.

Morocco

2.2.36. On 30 June the Council adopted two Decisions on proposals from the Commission⁷ to which Parliament had assented¹—one concerning the conclusion of an Additional Protocol to the EEC-Morocco Cooperation Agreement⁸ and the other the conclusion of the Protocol on financial and

technical cooperation between the Community and Morocco.

2.2.37. A Community delegation visited Morocco from 12 to 17 June, with the aim of programming Community aid operations under the third Financial Protocol signed in May.⁹ In discussions with the Moroccan delegation they identified the priority areas to which the Protocol's financial resources would be allocated. In accordance with the objectives of Morocco's 1988-92 development plan, the two sides agreed to focus on the development of agricultural production in order to reduce Morocco's food dependency, and on cooperation in the training and energy sectors.

The agricultural sector will receive approximately 60% of the total. Community grants will be used to support Morocco's agricultural development fund and promote increased farm production. Aid money will also be used to extend infrastructure, particularly irrigation and village water supply schemes, directly linked to food production. The EIB will help small farmers and provide financing for food and irrigation projects.

Approximately 20% of the funds from the Protocol will be spent on training, for both capital investment and technical assistance in teaching and vocational training.

Some 13% of the money, in the form of loans, will be set aside for the energy sector and environmental protection, to finance rural electrification schemes and anti-pollution measures.

The remaining 7% will be allocated to industrial cooperation and promotion schemes and regional projects.

¹ OJ C 187, 18.7.1988.

² Bull. EC 3-1988, point 2.2.21.

³ OJ L 264, 27.9.1978.

⁴ OJ L 61, 14.3.1971.

⁵ Bull. EC 3-1988, point 2.2.22.

⁶ OJ L 269, 27.9.1978.

⁷ Bull. EC 3-1988, point 2.2.26.

⁸ OJ L 266, 27.9.1987.

⁹ Bull. EC 2-1988, point 2.2.29; Bull. EC 5-1988, point 2.2.28.

Syria

2.2.38. The Additional Protocol¹ to the Cooperation Agreement between the Community and Syria was signed in Brussels on 16 June.

Countries of the Gulf and the Arabian Peninsula

Gulf Cooperation Council

2.2.39. The Cooperation Agreement initialled in March between the Community and its Member States and the Cooperation Council for the Arab States of the Gulf (GCC) and its Member States² was signed in Luxembourg on 15 June. Mr Genscher, President of the Council, and Mr Cheysson, Member of the Commission with special responsibility for North-South relations, signed on behalf of the Community. HRH Prince Saud al-Faisal bin Abdul Aziz, the Saudi Arabian Minister for Foreign Affairs and current President of the Ministerial Council of the GCC, and Mr Abdulla Y. Bishara, Secretary-General of the GCC, signed on behalf of the GCC.

The Agreement sets relations between the Community and the six GCC countries³ on a contractual footing. It provides for general cooperation in the areas normally covered by this type of agreement: industry, agriculture and fisheries, trade, energy, science and technology, environment, training, investment and so on. In the trade sector the two sides accord each other most-favoured-nation treatment.

On the same occasion the Community and its Member States and the CCG and its Member States adopted a joint declaration concerning their political dialogue (→ point 2.4.5).

Asia

India

2.2.40. The Indian Minister of State for Industry, Mr M. Arunachalam, called on

Mr Cheysson to discuss the current state of the EEC-India industrial cooperation programme⁴ and review projects already under way. It was decided to arrange a further meeting of the Industrial Cooperation Working Party⁵ not later than October, in order to assess the progress made. The two sides expressed satisfaction at the results and hoped that the momentum generated would be sustained.

Latin America

Central America

2.2.41. The second meeting⁶ of the Joint Committee set up by the Community-Central America⁷ Cooperation Agreement of 12 November 1985,⁸ which came into force on 1 March 1987,⁹ was held in Managua, Nicaragua, on 23 and 24 June. In accordance with the principles underlying the Esquipulas peace agreement of 7 August 1987,¹⁰ the two sides emphasized the importance of economic development, and in particular the reactivation of the Central American Common Market, for the restoration of peace in Central America. They also reviewed schemes under way in the fields of development cooperation and economic and trade cooperation.

State-trading countries

Normalization of relations with the Eastern European countries and the CMEA

2.2.42. With Parliament's endorsement, the Council adopted a Decision on 22 June

¹ Bull. EC 3-1988, point 2.2.28.

² Bull. EC 3-1988, point 2.2.30.

³ Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates.

⁴ Bull. EC 6-1987, point 2.2.22.

⁵ Bull. EC 1-1987, point 2.2.17; Bull. EC 3-1987, point 2.2.21.

⁶ First meeting: Bull. EC 6-1987, point 2.2.24.

⁷ Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

⁸ Bull. EC 11-1985, point 1.2.1 *et seq.*

⁹ OJ L 58, 28.2.1987; Bull. EC 2-1987, point 2.2.17.

¹⁰ Bull. EC 5-1987, point 2.2.23.

on the conclusion of the Joint Declaration on the establishment of official relations between the Community and the Council for Mutual Economic Assistance. The Declaration was signed in Luxembourg on 25 June (→ point 1.5.1 *et seq.*).

Hungary

2.2.43. A trade and commercial and economic cooperation Agreement between the Community and Hungary was initialled on 30 June, following negotiations conducted on the basis of the Council Directives of April 1987.¹ This is the most far-reaching accord concluded to date between the Community and an Eastern European country, and it will run for 10 years. It provides for elimination in three stages, by the end of 1995, of the Community's quantitative restrictions on imports from Hungary, which are discriminatory under Hungary's protocol of accession to the GATT, and for non-discriminatory treatment of Community firms and products by Hungary in the matter of quotas, licences and business facilities. The Agreement also provides for cooperation in a number of areas such as industry, energy and the environment.

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2.2.44. On 17 June Parliament adopted a resolution on the establishment of a European Foundation for East European Studies² (→ point 2.4.24).

Development

2.2.45. The 14th Western Economic Summit was held in Toronto from 19 to 21 June. As at the previous meeting,³ considerable attention was devoted to the special measures still needed to aid highly indebted low-income countries which are implementing reform and adjustment programmes (→ points 1.6.4 and 3.5.22 to 3.5.30). Commenting on the statements made, the Commission stressed the importance of the consensus that emerged, especially for the poor countries of sub-Saharan Africa, on the eve

of negotiations for the renewal of the ACP-EEC Convention.

North-South relations

Cooperation in international forums

United Nations Conference on Trade and Development

2.2.46. The 15th meeting of Unctad's Special Committee on Preferences was held in Geneva from 24 May to 1 June under the chairmanship of Mr Lebkowski (Poland).⁴

The Committee discussed the implementation, improvement and utilization of the system of generalized preferences (GSP). The developing countries criticized the differentiation measures adopted by some donor countries and expressed concern about the possible effect of the current multilateral negotiations on their preferential treatment.

In a statement, the Community spokesman emphasized that the GSP's benefits could not be maximized by wholesale application of the tariff exemption to all exports by beneficiaries irrespective of their level of development. It was better to examine the scheme pragmatically case-by-case with the beneficiaries in order to determine how to make the most of it and ensure that it became a real motor of industrial expansion.

The Group of 77 presented a draft decision on the scope of the system as applied in donor countries' schemes, covering topics such as exclusions, erosion of the preferential margin as a result of the Uruguay Round,⁵ blanket restrictions, etc. Despite the unanimously appreciated efforts of the chairman to formulate a text on the dis-

¹ Bull. EC 4-1987, point 2.2.28.

² OJ C 187, 18.7.1988.

³ Bull. EC 6-1987, points 1.2.1 *et seq.* and 3.7.21 to 3.7.28.

⁴ Bull. EC 5-1986, point 2.2.41.

⁵ Bull. EC 9-1986, point 1.4.1 *et seq.*

puted points that would be acceptable to all the parties, no agreement was reached.

Outside the meeting, the Community held a number of bilateral consultations on its scheme, although the number was well down on previous years. The growing lack of interest in the practical aspects of the system was felt by all the donor countries and was particularly noticeable at this meeting.

United Nations Development Programme

2.2.47. Mr Cheysson met Mr Ramirez Ocampo, regional director of the UNDP and coordinator of the UN Special Plan of Economic Cooperation for Central America in Brussels on 21 June. Mr Cheysson told him that the Community intended to take the plan as a reference point for cooperation schemes in Central America carried out in conjunction with the other donor countries. He also confirmed the Community's undertaking to support the plan with various forms of financial assistance and with aid for the preparation and organization of democratic, pluralist elections to the Central American Parliament.¹

World Food Programme

2.2.48. The Community was represented at the 25th session of the WFP Committee on Food Aid Policies and Programmes (CFA), which was held in Rome from 30 May to 10 June.² After ceremonies to celebrate the 25th anniversary of the WFP's founding, the Committee reviewed food aid policies and programmes and decided to make certain changes in its working practices for a trial period of two years. During the session the WFP Executive Director convened a meeting of donor countries to discuss the pressing need for additional food aid for refugees in various parts of the world.

OECD Development Assistance Committee

2.2.49. The DAC met in Paris on 20 and 21 June to discuss recent trends in aid and other resource flows.³

Total net disbursements for official development assistance (ODA) from DAC members stood (provisional figures) at USD 41 billion for 1987, a fall of 2% in real terms. This means that the level of ODA as a proportion of GDP dropped to 0.34%.

The flow of resources available to developing countries in 1987 totalled USD 84 billion. The Committee noted that the bulk of DAC aid went to sub-Saharan Africa, for structural adjustment programmes. The World Bank described its programme, for which 17 countries were eligible, and said that by 1990 65 adjustment operations would have been financed with USD 2.4 billion from the International Development Association and USD 4.9 billion in co-financing (2.9 billion of which was already pledged). The talks on the debt problem were somewhat overshadowed by the talks and decision-making taking place at the Toronto Summit (→ points 1.6.4 and 3.5.22 to 3.5.30). A study on aid in the 1990s would deal mainly with themes such as demography, poverty and the environment plus structural adjustment and its social implications.

OECD High-Level Group on Commodities

2.2.50. The OECD High-Level Group on Commodities met in Paris from 15 to 17 June. One of the main items for discussion was the work programme of the Unctad Committee on Commodities, due to meet in December. The Committee also considered what action would need to be taken if the Common Fund comes into force before the end of the year. The OECD's paper on recent trends in the commodities sector was welcomed, many delegations calling for six-monthly reports. Consultations with the Business and Industry Advisory Committee to the OECD (private sector) focused largely on the need for full transparency in commodity markets.

¹ Bull. EC 3-1988, points 1.3.1 to 1.3.3.

² Bull. EC 11-1987, point 2.2.40.

³ Bull. EC 3-1987, point 2.2.26.

ACP-EEC Convention

Renewal of the Convention

2.2.51. At its meeting on 13 and 14 June, the Council held an exchange of views on the guidelines for the renewal of the Convention proposed by the Commission in its communication of 25 March.¹ At the close of these discussions the President concluded that the Council had confirmed its desire to pursue cooperation with its partners under the Lomé Convention and emphasized the importance of respect for human rights, without which the aims of the Convention could not be achieved. The Council endorsed the Commission's view that the basic principles, methods and instruments of this cooperation, which had proven their worth, should be maintained and if necessary consolidated.

At the same time the EEC and ACP States had to look together for fresh answers to problems which had arisen or become more acute since the third Convention was concluded. This required the injection of a fresh impetus into the development of important areas covered by the Convention and also the inclusion of new areas such as environmental protection and demographic movements.

In discussions on the Commission's guidelines¹ a large measure of agreement emerged on some important points, in particular the need for greater support for the ACP States' structural adjustment measures, to which the Community must contribute in close coordination with other donors, especially the World Bank and the IMF, while still preserving the special features of Community aid. This approach took into account the difficulties many ACP States were encountering as a result of debt. In this connection the Council referred to the recently adopted special Community programme to aid certain highly indebted low-income countries having taken structural adjustment measures,² and to its basic position regarding such measures, as set out in the resolution of 31 May.³

The Council recognized that trade and export possibilities were of particular importance for the economic development of the ACP States. It noted the ACP States' concern over the GATT multilateral trade negotiations but reaffirmed its conviction that further liberalization of world trade would benefit their economies too. In the Lomé renewal negotiations the Community would heed the legitimate interests of these special partners and make every effort to ensure that they obtained better access to other markets. The Council again pointed to the opportunities that completion of the internal Community market would create for the ACP States in the lifetime of the new Convention.

The Council welcomed the Commission's proposal to involve the private sector in cooperation to a greater extent and shared the view that regional cooperation had to be improved to achieve greater regional economic integration.

The Council and the Commission agreed that well-founded decisions on the volume of financing and the detailed arrangements for future aid could not be taken until the negotiations were well advanced. The Council would be prepared to consider a longer period of validity for these contractual relations if the ACP States so wished.

The Council noted with satisfaction that the Commission intended to present a proposal for negotiating directives taking into account the results of preliminary talks in good time for the scheduled start of negotiations in October. It shared the Commission's view that Parliament should be closely associated with the negotiations in an appropriate manner.

2.2.52. A Commission recommendation for a Decision concerning the opening of negotiations with the States party to the third ACP-EEC Convention and those that may accede was sent to the Council on 5

¹ Bull. EC 3-1988, point 2.2.44.

² OJ C 348, 23.12.1987; OJ L 356, 18.12.1987; Bull. EC 12-1987, point 2.2.41.

³ Bull. EC 5-1988, point 2.2.36.

July. The proposed Directives will enable the Commission to conduct the negotiations provided for at the expiry of the third ACP-EEC Convention;¹ they are based on the guidelines already drawn up by the Commission² and discussed by the Council (→ point 2.2.51) and Parliament.³

2.2.53. The Economic and Social Committee adopted an own initiative opinion concerning the fourth ACP-EEC Convention on 3 June (→ point 2.4.55).

Generalized tariff preferences

Scheme proposed for 1989

2.2.54. On 24 June the Commission sent the Council proposals for three Regulations and a draft Decision designed to provide the legislative basis for the operation of the Community's scheme of generalized preferences for 1989.⁴ These proposals again provide for differentiation based on the recipient's level of development, a policy advocated in the guidelines set out in the Commission communication to the Council on the mid-term review of the scheme.⁵

In the agricultural sector, the Commission proposes the inclusion of lime juice and increased preferential margins for six products, namely certain mushrooms, okra, papaw chutney, cigars, cigarettes and smoking tobacco, the latter three products of especial interest for Latin America. It is also in favour of adding new products to the list of duty-free products from the least developed countries: fresh pineapples, dried figs and grapes, and frozen strawberries.

On the basis of the 1987 figures for trade and consumption, the Commission proposes to raise the preferential ceiling for sensitive products covered by the industrial scheme, excluding, however, iron and steel and electronics products and certain vehicles, because of economic difficulties. This would be accompanied by a redistribution of preferential advantages, namely the exclusion of wall clocks and watch cases

from Hong Kong, glutamine acid, iron/steel wire and upright pianos from South Korea and methanol from Libya, the quota for which had been reduced by 50%⁶ under the 1988 scheme,⁷ plus a 50% reduction in seven quotas applicable to products from Saudi Arabia (chemicals) and five quotas applicable to South Korea (imitation jewellery, video tape recorders, colour TV tubes, data processing machines and media for sound recording).⁸

Thirteen products have been taken off the sensitive list and two hitherto non-sensitive products (hexachlorocyclohexane and lysin) added. The reference base for non-sensitive products has been raised to 6% of Community imports in 1987, or 2% for a few exceptional products.

Concerning textiles covered by the Multi-fibre Arrangement (MFA),⁹ the Commission has moved on to the second stage of the new scheme introduced in 1988.⁷ The proposed exclusions are as follows: Brazil (2 products), China (14), South Korea (16), Hong Kong (30), Macao (4) and Romania (5). A new basis for calculating the preferential amounts has come into force, namely the imports, by category, of the 12 Member States in 1985, the percentage being 0.2% for dominant countries and State-trading countries, and 1% for other beneficiaries. The preferential amounts for other textiles have also been revised under the 1989 scheme; the Commission has proposed criteria and procedures to bring about greater differentiation in respect of

¹ Bull. EC 11-1984, point 1.1.1 *et seq.*; Bull. EC 12-1984, point 1.5.1 *et seq.*; Bull. EC 4-1986, point 2.2.31.

² Bull. EC 3-1988, point 2.2.44.

³ OJ C 167, 27.6.1988; Bull. EC 5-1988, point 2.4.14.

⁴ COM(88) 352 final.

⁵ Bull. EC 5-1985, point 2.2.42.

⁶ This action is taken when a supplier accounts for 20% or more of the Community's total imports of the product in question, and is the first step towards exclusion.

⁷ OJ L 350, 12.12.1987; OJ L 367, 28.12.1987; Bull. EC 11-1987, point 2.2.42.

⁸ A reduction is made when imports from a supplier country account for 10 times the value of the preferential quota but are less than 20% of total Community imports.

⁹ OJ L 341, 4.12.1986; Bull. EC 11-1986, point 2.2.2.

competitive beneficiaries. For 1990 it proposes the exclusion, following a 50% reduction of the preferential amount in 1989, of countries subject to quotas when they account for at least 20% of total Community imports, based on the 1983-85 average. This will affect silk fabric from China and flax or ramie yarn, yarn of artificial filaments, binder or baler twine and other sisal twine from Brazil.

The arrangements theoretically applicable to South Korea are set out in the Commission's proposal; however, they will not be applied while Korea continues to practice its discrimination in the field of intellectual property rights.¹

On the administrative side, the Commission, looking ahead to the completion of the single market, has again proposed that the allocation among Member States of quotas for agricultural and industrial products and non-MFA textiles be discontinued. In the case of MFA textiles, it has retained the system of allocation because of the sector's great sensitivity but proposes the introduction of a Community reserve of 30%.

Commodities and world agreements

Coffee

2.2.55. Discussions at the meeting of the Executive Board of the International Coffee Organization in London on 28 June³ focused on a review of the working of the verification system of the International Agreement⁴ since the reintroduction of quotas in October.⁵

There was a lengthy debate on the application of the verification rules in the 90-day transition period following the reintroduction of quotas; the Board was divided on whether a total 500 000 sacks of coffee originating in 13 countries should be included in the 1987/88 quota. The issue was settled by the approval of a motion put forward

by Mexico, El Salvador and Ecuador to the effect that the date to be considered for that purpose was that entered on the origin certificate.

The implementation of resolution 329, which stipulates that exporting member countries are required to show proof of importation of their coffee into non-member importing countries, was also the subject of a lengthy discussion since there is a provision for sanctions against countries which do not comply within the period laid down. It was decided to accord a further 10 days, starting on 30 June, for countries that had not yet presented proofs concerning the first quarter of the marketing year. A 30-day extension was also agreed on for operations relating to the second quarter, which officially closed on 30 June. The Board also discussed resolution 336 on sales to non-members at prices lower than those practiced between members.

The Committee agreed to a request from Papua New Guinea concerning the processing in a non-member country of coffee exported and later reimported by that country. Lastly, the state of the market was discussed and the Community noted the possibility of a further reduction in the overall short-term quota.

Cocoa

2.2.56. The main item on the agenda of the Executive Committee of the International Cocoa Organization,⁶ which met in London from 6 to 8 June,⁷ was the constitution of an advisory panel with the task of settling the dispute between producers and consumers concerning the price

¹ OJ L 369, 29.12.1987; Bull. EC 12-1987, point 2.2.35; OJ L 40, 13.2.1988; Bull. EC 2-1988, point 2.2.14.

² OJ L 350, 12.12.1987, OJ L 367, 28.12.1987, Bull. EC 11-1987, point 2.2.42.

³ Bull. EC 6-1987, point 2.2.40.

⁴ Bull. EC 6-1983, point 2.2.58; Bull. EC 9-1983, point 2.2.33.

⁵ Bull. EC 10-1987, point 2.2.44.

⁶ Bull. EC 7/8-1986, point 2.2.32.

⁷ Bull. EC 6-1987, point 2.2.42.

bracket to be used for the Organization's support operations.¹ The panel is made up of two representatives of each group and a chairman, and will deliver its opinion to the International Cocoa Council at its next meeting from 5 to 16 September. When this matter is resolved, the Organization's support operations can resume.

Tropical timber

2.2.57. At the invitation of the Brazilian Government, the International Tropical Timber Council held its third meeting in Rio de Janeiro from 22 June to 1 July.²

The main outcome of the meeting was the drafting of a resolution on criteria for the International Tropical Timber Organization's priority areas of work. Particularly noteworthy was the Council's endorsement of 'non-project' activities that would give the Organization the power to influence the formulation of rules of behaviour for the governments of producer countries and other economic operators involved in forest management and the forestry industry. The terms of the resolution were in line with the position adopted by the Community.

The Council also adopted guidelines concerning the presentation by the Executive Director of a proposal concerning the project cycle (presentation, analysis, decision and evaluation) at its next meeting in November. The Council and the three technical committees, which met at the same time, reviewed a number of projects, some of which may be financed by voluntary contributions from Japan, Switzerland, Norway, Denmark and the Netherlands.

Representatives of the environmental protection movement took an active part and the importance of their role in formulating approaches that may be adopted by the ITTO was acknowledged. The financial outlook for the Organization is still causing concern, however. A number of countries — not only producers but also some major consumers — are behind with their contributions.

Copper

2.2.58. At the Council meeting on general affairs on 13 and 14 June ministers adopted a common position concerning participation in negotiations at the Conference on the setting up of an international copper study group, which took place in Geneva from 13 to 24 June. The Community and its Member States were thus able to take part in the negotiations in accordance with the usual procedures. The Conference adopted a resolution ratifying the decision to negotiate the setting up of an independent body to study copper market trends.

Campaign against hunger in the world

Food aid

Reform of food aid policy and food aid management

2.2.59. On 30 June the Council formally adopted the Regulation³ extending Regulation (EEC) No 3972/86 of 22 December 1986 on food aid policy and food aid management,⁴ which had earlier, on 14 December 1987, been extended until 30 June.⁵

2.2.60. In June the Commission approved the following food aid operations under the 1987-88 budgets, the Food Aid Committee having returned a favourable opinion:

¹ Bull. EC 3-1988, point 2.2.46.

² Bull. EC 11-1987, point 2.2.43.

³ OJ L 168, 1.7.1988.

⁴ OJ C 370, 30.12.1986; Bull. EC 12-1986, point 2.2.31.

⁵ OJ L 356, 18.12.1987.

Table 4 — *Food aid operations*

Recipient	<i>tonnes</i>					
	Cereals	Milk powder	Butter oil	Sugar	Vegetable oil	Beans
Honduras	7 000	1 200				2 900
Nicaragua	7 000	2 000	600		1 500	5 000
Zaire	15 000					
Angola	30 000				500	
Mozambique	110 000			1 000	2 000	4 000
Total	169 000	3 200	600	1 000	4 000	11 900

2.2.61. Emergency food aid consisting of 2 712 tonnes of cereals for Mozambique was approved by the Commission in accordance with the Regulation of 22 December 1986,¹ extended on 14 December 1987.² The aid was requested by Deutsche Welthungerhilfe and will be supplied to 14 000 children in schools and orphanages in Manica province, and to 20 000 refugees in two camps in Sofala province.

Locust control in Africa

Tunisia

2.2.62. A further 75 000 ECU in emergency aid has been accorded by the Commission to help Tunisia spray locust-infested areas from the air.³

Emergency aid

China

2.2.63. In response to an international appeal launched by the Chinese Government following torrential rains in the north of Fujian province, which caused major damage and affected some 2 880 000 people, the Commission decided on 30 June to grant

China emergency aid of 500 000 ECU. The aid will be channelled through the Belgian section of Médecins sans frontières and used to supply medicines, medical equipment, tents, groundsheets, food supplements and so on.

Self-sufficiency aid for refugee groups

2.2.64. Under the sixth EEC-UNRWA Convention (1987-89),⁴ the Commission decided on 8 June to allocate aid worth 14.3 million ECU under the 1988 food aid programme⁵ to the UN Relief and Works Agency for Palestine refugees in the Middle East. It also made an additional cash contribution of 4 million ECU to cover the operating costs of the Agency's supplementary feeding programme. This will bring the value of Community aid to the Agency in 1988 to 38.3 million ECU, the Convention also providing for an annual cash contribution of 20 million ECU to UNRWA's education programme.

2.2.65. On 22 June the Commission decided to finance the following projects under Article 936 of the budget:

¹ OJ C 370, 30.12.1986; Bull. EC 12-1986, point 2.2.31.

² OJ L 356, 18.12.1987.

³ Bull. EC 3-1988, point 2.2.53; Bull. EC 4-1988, point 2.2.35.

⁴ Bull. EC 6-1987, point 2.2.45.

⁵ OJ L 85, 30.3.1988; Bull. EC 3-1988, point 2.2.49.

Pakistan: 3 million ECU for a programme of education and vocational training for Afghan refugees, co-financed with the Office of the UN High Commissioner for Refugees;

Pakistan: 230 000 ECU for a medical assistance programme for Afghan refugees in the Chitral Valley, co-financed with the French section of Médecins sans frontières.

Pakistan: 230 000 ECU for a health and sanitation programme in the Punjab province, co-financed with the Belgian section of Médecins sans frontières;

Pakistan: 230 000 ECU for the extension of the integrated immunization programme for Afghan refugees, co-financed with the French NGO Avicen;

Thailand: 400 000 ECU for prosthetic and rehabilitation services for handicapped refugees, co-financed with the French NGO Organisation handicap international;

Kampuchea: 450 000 ECU to finance a UNHCR repatriation programme for refugees.

2.2.66. Also in June, the Commission decided to accord emergency aid of 635 000 ECU for Mozambican refugees in Malawi, the numbers of which are rising constantly (now standing at 530 000). The aid will be used by the League of Red Cross Societies, the Malawian Red Cross and the UNHCR to provide basic necessities.

Financial and technical cooperation

Co-financing of development projects and programmes

2.2.67. Two new framework agreements on investment were signed by the Commission on 7 and 23 June. The first, concluded with Sofinasia (Société financière pour L'Asie), concerns the financing of European investment in South-East

Asia. The second, with the International Finance Corporation, is designed to foster joint ventures between firms in Europe and Latin America and Asia. These agreements are the first to use the Community's new financial cooperation instrument, known as the Cheysson facility, designed for the developing countries of Latin America, Asia, the Mediterranean and the Gulf. The new instrument has been launched on an experimental basis with an allocation of 7 million ECU. This is part of a policy to encourage private direct investment, above all through joint ventures between medium-sized firms in Europe and the countries concerned.¹ The Commission believes investment of this type, involving the transfer of technology and know-how, can stimulate these countries' development without adding to their often heavy debt burdens.

This facility will finance three types of operation, priority going to the identification of joint venture partners and projects, followed by technical assistance for the partners once the project has been identified and possibly the acquisition of holdings in joint ventures. The support provided can take different forms, ranging from grants to interest-free advances, or even a shareholding stake. To implement these operations the Community will act solely through existing financial intermediaries (Member States' development banks, private sector investment banks and international financial institutions). All operations will be carried out on a co-financing basis with the least possible red tape.

ACP States

2.2.68. In June the Commission allocated resources from the Fourth, Fifth and Sixth EDFs totalling 308 million ECU to finance projects, programmes and emergency aid operations which it administers (Table 5).

¹ Bull. EC 6-1987, points 2.2.14 and 3.6.1.

Table 5 — *Financing of Fourth, Fifth and Sixth EDF operations*

		<i>million ECU</i>	
Sectors/Country	Project/programme	Amount	
		Grants	Loans
<i>Economic infrastructure</i>			
Grenada	Roads	0.725	
<i>Rural production</i>			
Central African Republic	Predominantly agricultural integrated projects	20.300	
Congo	Predominantly agricultural integrated projects	26.000	10.000
Gambia	Predominantly agricultural integrated projects	7.000	
Nigeria	Rural development of Oil-Palm Belt	9.500	59.340
Nigeria	Rural electrification	7.500	
Niger	Large-scale irrigation in the Niger Valley	58.600	5.000
Ethiopia	Protection of southern Shewa	25.150	1.050
Ethiopia	Development of small-scale farming in the central Shewa region	51.900	1.500
Côte d'Ivoire	Collection and grouping centre	0.500	1.650
<i>Industrialization</i>			
Malawi	Importation of industrial products	12.500	
<i>Trade promotion</i>			
Caribbean ACP States and Montserrat	Caricom regional trade development programme	6.100	
<i>Specific themes</i>			
Senegal	Rinderpest control	2.200	
<i>Emergency aid</i>			
Rwanda	Repair of damage caused by torrential rains	0.200	
Various African countries	Locust control	0.650	
Malawi	Food and supplies for Mozambican refugees	0.635	
	Total	229.460	78.540

Latin American and Asian developing countries

2.2.69. On 20 June the Commission and the Philippine Government signed an agreement on financial and technical assistance; 18.5 million ECU have been allocated for rural development projects in the Cordillera Centrale north of Manila.

Southern and Eastern Mediterranean countries

2.2.70. The Commission decided on 24 June to finance the following projects under the Mediterranean Financial Protocols:

- *Tunisia*: 10 million ECU for the laying of a pipeline linking the Sejnane dam (scheduled to be completed in 1989) to the mixing plant at Mateur, fed by the Joumine dam;

- *Malta*: 3.1 million ECU to improve transport, communications and water supply infrastructure; 2.4 million ECU for the development and promotion of tourism;
- *Jordan*: 2 million ECU to develop the use of water resources in the Mujib Basin; 1 million ECU for training awards for Jordanians on specialized training courses in Europe.

Regional cooperation

ACP States

Indian Ocean Commission

2.2.71. On 24 June Mr Lorenzo Natali and Mr Jacques Hadoui, the Seychelles' Minister for National Development and President of the Indian Ocean Commission (IOC), signed two financing agreements¹ on regional cooperation between the Community and IOC members (Comoros, Mauritius, Madagascar and the Seychelles).²

Under the first agreement 3.5 million ECU is to be made available for a programme to support craft trades. More specifically, the aid will go towards training in craft skills and the manufacture, promotion and marketing of goods.

Under the second agreement 2.2 million ECU will finance a programme to draw up an inventory of aromatic and medicinal plants in the Indian Ocean region and improve methods of studying these plants and techniques for extracting their active components.

Cooperation via non-governmental organizations

2.2.72. In the period 1 January to 30 June the Commission committed 36.6 million ECU for the co-financing of 240 projects presented by 132 NGOs.

The Commission also contributed 3 215 450 ECU to 43 campaigns to increase European public awareness of development issues.

*

Visits

2.2.73. Mr Cyprien Mbonimpa, Burundi's External Relations Minister, had a meeting with Mr Natali on 9 June. The talks concerned the structural adjustment programme which Burundi has embarked on to aid economic and financial recovery, and the state of cooperation with the Community.

2.2.74. Mr Famara Sagna, Senegal's Minister for Industrial Development and Handicrafts, paid an official visit to the Commission, where he had talks with Mr Natali on a project to supply iron ore to the European steel industry (the Miferso iron ore project in eastern Senegal). The scale of the investment needed, especially for infrastructure, means that the project requires careful study. The fact that resources allocated to Senegal under Lomé III have already been committed, plus the characteristics of the project itself, severely restrict the likelihood of any Community contribution.

2.2.75. Mauritania's Rural Development Minister, Mr Hamoud Ould Ely, visited the Commission on 21 June and met Mr Natali and Mr Cheysson. The aim of the visit was to seek the Community's support for a regional action plan drawn up by Ministers responsible for locust control in infested countries (Algeria, Morocco, Tunisia, Libya and Mauritania). The Community has already given 4.3 million ECU for the campaign and is to look into the possibility of taking medium and long-term action in coordination with the Member States.

¹ Bull. EC 2-1987, point 2.2.35, Bull. EC 2-1988, point 2.2.50.

² France is also a member on account of its overseas department, Réunion.

2.2.76. On 23 June Mr Natali and Mr Cheysson had talks with Prince Sadrudin Aga Khan, UN coordinator of repatriation aid for Afghan refugees, who was on a tour of European capitals to seek possible donors following the appeal launched by the UN Secretary-General on 10 June. Mr Natali and Mr Cheysson reiterated the concern about the repatriation problem which the Community and its Member States have expressed on a number of occasions.

2.2.77. Mr Natali visited Ethiopia from 16 to 19 June. He had a meeting with President Mengistu Haile Mariam, with whom he discussed aid distribution and, in particular, the question of NGO aid workers' right to move and work freely.

International organizations and conferences

United Nations

Convention on the Law of the Sea

2.2.78. On 7 June the Council adopted, on a proposal from the Commission,¹ a Decision authorizing the Commission to participate on behalf of the Community in the preparatory discussions and joint action in the context of the review conference on the United Nations Convention on a Code of Conduct for Liner Conferences.

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2.2.79. The Unctad Special Committee on Preferences met from 24 May to 1 June (→ point 2.2.46).

2.2.80. The World Food Programme's Committee on Food Aid Policies and Programmes held its 25th meeting in Rome from 30 May to 10 June (→ point 2.2.48).

2.2.81. The OECD Development Assistance Committee met in Paris on 20 and 21 June (→ point 2.2.49).

2.2.82. The OECD High-level Group on Commodities met in Paris from 15 to 17 June (→ point 2.2.50).

Diplomatic relations

2.2.83. The following ambassadors, whose appointments took effect on the dates shown, presented their letters of credence to the President of the Council and the President of the Commission.

2 June

HE Mr Adalmiro Bartolini, Head of Mission of the Republic of San Marino to the European Communities; HE Mr J. Alexey de Synegub, Head of Mission of the Republic of Guatemala to the European Communities; HE Mr Thongsay Bodhisane, Head of Mission of the Lao People's Democratic Republic to the European Communities.

13 June

HE Mr Astère Nzisabira, Representative of the Republic of Burundi to the EEC and Head of Mission to the ECSC and Euratom; HE Mr Alfredo del Mazo González, Head of Mission of the United Mexican States to the European Communities; HE Mr Mamadou Tairou Djaouga, Representative of the People's Republic of Benin to the EEC and Head of Mission to the ECSC and Euratom.

¹ Bull. EC 12-1987, point 2.2.70.

3. Financing Community activities

Budgets

2.3.1. The Hanover European Council welcomed the interinstitutional agreement concluded between the Council, the Commission and Parliament (→ point 2.3.8) and stressed its importance at this stage in completing the internal market and progressing towards European Union.

General budget

Supplementary and amending budget No 1/88

2.3.2. On 24 June the Council formally adopted draft supplementary and amend-

ing budget No 1/88 on the basis of the preliminary draft presented by the Commission on 21 June.¹ The supplementary and amending budget amends the budget to bring it into line with the Council Decision on the own resources system adopted on the same day (→ point 2.3.5). The changes made to the 1988 budget are shown in Table 6.

¹ COM(88) 355.

Table 6 — Summary of changes proposed to the 1988 budget

	<i>million ECU</i>		
	1988 budget	Changes	Draft supplementary and amending budget
1. Revenue			
Traditional own resources	11 416.05	—	11 416.05
VAT ¹	23 206.69	922.64	24 129.33
Advances granted by the Member States ¹	8 049.43	- 935.69	7 113.74
Balances from 1987	850.00	—	850.00
Miscellaneous revenue	256.68	54.60	311.28
Total	43 778.85	41.55	43 820.40
2. Expenditure			
Refunds:			
(i) Depreciation of agricultural stocks			
Spain	12.85	0.61	13.46
Portugal	1.54	- 0.07	1.47
(ii) Own resources and advances			
Spain	1 363.78	37.28	1 401.06
Portugal	151.02	3.73	154.75
Total	1 529.19	41.55	1 570.74

¹ Including the transfer of 445.58 million ECU from VAT to intergovernmental advances to keep within the 1.4% VAT ceiling.

Preliminary draft budget for 1989

2.3.3. On 13 June the Commission sent the budgetary authority the preliminary draft budget set out in Tables 6 and 7.¹

This preliminary draft is based on the Single European Act² and the conclusions of the European Council of 11 to 13 February 1988,³ which it is designed to implement.

As a result of the new system agreed by the European Council, in 1989, for the first time in several years, the Community will have a budget based on an amount of available own resources sufficient to finance all its political, economic and social measures.

The preliminary draft is also consistent with the 1988-92 financial perspective attached to the interinstitutional agreement concluded between Parliament, the Council and the Commission (→ point 2.3.8). The growth paths traced by this financial perspective aim not only at an overall strengthening of Community activities but also at a shift in balance to promote structural measures which will form a sound base on which to build the future.

The four main features of the preliminary draft budget for 1989 as regards expenditure are:

(i) Moderate growth in overall requirements: In comparison with the 1988 budget, the appropriations requested have increased by 6% for commitment appropriations and 6.1% for payment appropriations.

(ii) Virtually no growth in compulsory expenditure (+0.7%): The main reasons for this are the moderate increase in expenditure related to agricultural market guarantees (+2.6%), the marked reduction in repayments to the Member States (down by 39.0%) due to the phased reduction in refunds to Spain and Portugal, a reduction by half of the repayment to the Member States agreed at the Fontainebleau European

Council⁴ and the Commission's proposal to regard some EAGGF Guidance Section expenditure as non-compulsory (→ point 2.1.159).

(iii) Significant increase in non-compulsory expenditure (20.1% in commitment appropriations and 21.5% in payment appropriations): This is a result of the application of the European Council's conclusions on the development of certain priority policies³ to give effect to the Single Act²—structural operations (Social Fund, Regional Fund, EAGGF Guidance, Pedip and support programmes), research, completion of the internal market and environment—and the fact that the amounts entered in the 1988 budget made allowance for sizeable carryovers from 1987 to 1988. This will not be the case in 1989 because of the tightening up of the principle of budget annuality which will be embodied in the revised version of the Financial Regulation (→ point 2.3.14).

(iv) The preliminary draft budget complies with the various expenditure ceilings of the financial forecasts for 1989 attached to the interinstitutional agreement approved by the Council on 13 June and ratified by Parliament on 15 June (→ point 2.3.8).

The preliminary draft budget for 1989 makes a start towards restoring the balance between compulsory and non-compulsory expenditure, since the proportion of non-compulsory expenditure rises from 25.6% in 1988 to 30.7% in 1989.

Table 7 shows the change in expenditure from 1988 to 1989 for the various areas of Community activity. The amounts are calculated on the basis of the new nomenclature for 1989.

¹ COM(88) 290 final.

² OJ L 169, 29.6.1987, Supplement 2/86 — Bull. EC.

³ Bull. EC 2-1988, point 1.1.1 *et seq.*

⁴ Bull. EC 6-1984, point 1.1.1 *et seq.*

Table 7 — 1989 budget procedure — Expenditure by area

million ECU

	1988 budget and supplementary and amending budget		1989 preliminary draft		% change	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
	1	2	3	4	5 = 3/1	6 = 4/2
1. EAGGF Guarantee Section (Titles 1 and 2)	27 500	27 500	28 190	28 190	2,5	2,5
2. Repayments — old stocks (Chapter 81)	1 240	1 240	1 449	1 449	16,9	16,9
3. Monetary reserve (Chapter 102)	1 000	1 000	1 000	1 000	0,0	0,0
4. Set-aside and income support (Chapter 39)			100	100		
5. Structural Funds:	7 681	6 733	9 295	8 274	21,1	22,9
— EAGGF Guidance Section (Chapter 30)	1 131	1 153	1 413	1 384	25,0	20,1
— ERDF (Chapter 50)	3 684	2 980	4 495	3 920	22,1	31,5
— ESF (Chapter 60)	2 866	2 600	3 387	2 970	14,2	14,2
6. Pedip (Article 553)	100	50	100	80	0,0	60,0
7. IMPs (Chapter 55, except Article 553)	144	96	264	262	83,7	173,8
8. Agriculture (Chapter 38)	71	69	86	83	21,2	20,3
9. Miscellaneous (Chapter 54)	7	5	20	26	185,7	420,0
10. Miscellaneous social (Chapters 63, 64, 69)	180	172	220	229	22,2	33,0
11. Transport (Chapter 58)	71	71	67	37	-5,6	-47,9
12. Environment (Chapter 66)	33	33	43	39	31,2	17,3
13. Information and culture (Chapter 67)	41	41	38	36	-7,3	-12,2
14. Fisheries (Title 4)	337	281	361	396	7,2	40,8
15. Energy (Chapters 70 and 71)	130	111	138	126	6,0	13,3
16. Research (Chapter 73)	1 075	916	1 450	1 201	34,9	31,0
17. Innovation, internal market (Chapters 75 to 79)	155	127	186	153	20,0	20,5
18. Development (Title 9)	1 073	870	1 303	1 085	21,5	24,7
19. Administration (Part A)	1 272	1 272	1 426	1 426	12,2	12,2
20. Other institutions	696	696	736	736	5,7	5,7
21. Repayments to Member States (Title 8, except Chapter 81)	2 534	2 534	1 544	1 544	-39,0	-39,0
22. Reserve (Chapter 101)	5	5	5	5		
Total	45 344	43 820	48 021	46 476	5,9	6,1

Own resources

2.3.4. On 30 June the Council formally adopted the Regulation¹ amending Regulation (EEC, Euratom, ECSC) No 2891/77² implementing the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources.³ The changes made are designed to cope with a number of difficulties encountered in the past.

2.3.5. Pursuant to the conclusions of the Brussels European Council on 11 and 12 February,⁴ and after conciliation with Parliament on the amendments it requested (→ point 2.3.6) to the proposal on which the Council had reached general agreement in principle at its meeting on 13 and 14 June, the Council formally adopted the following measures on 24 June:

- (i) a Decision on the system of the Communities' own resources;⁵
- (ii) implementing arrangements concerning the calculation, financing, payment and entry in the budget of the correction of budgetary imbalances.⁶

2.3.6. On 15 June Parliament had already approved⁷ the proposal for a Decision on the Communities' own resources.⁵ However, it insisted on a number of amendments: in particular the inclusion of a reference to the interinstitutional agreement on budgetary discipline (→ point 2.3.8), a statement that the own resources paid by each Member State should reflect the 'relative wealth and income of its citizens' rather than its 'ability to contribute', a reminder that new levies could be created, an obligation on the Commission to submit a report on the operation of this system by the end of 1990 (instead of 1991) and to submit, by the end of 1989, proposals for the introduction of a new levy in the form of a Community tax to replace one or more national taxes and, finally, an obligation on the Member States to apply without delay uniform rules for calculating GNP on the basis of a Commission Directive.

Financial compensation

Financing the depreciation of agricultural stocks

2.3.7. On 24 June, after conciliation with Parliament following its opinion of 20 May,⁸ the Council formally adopted a Regulation on the granting of financial compensation to Spain and Portugal as a result of the depreciation of certain stocks of agricultural products.⁹

Budgetary discipline

2.3.8. On 13 June the Council approved the interinstitutional agreement on budgetary discipline and improvement of the budgetary procedure¹⁰ and decided at its meeting on 24 June to publish it after it had been approved by Parliament (→ points 2.3.10 and 2.4.18).

This agreement will make Community expenditure trends more predictable by introducing multiannual forecasts. These will also help Member States with their own budget estimates, as they will be able to take into account the amounts to be made available to the Community.

The agreement is based on the financial perspective 1988-92 (see Table 8), which will be updated by the Commission each year prior to the budgetary procedure in order to adjust the data technically to GNP and price trends. The Commission will also make proposals to the two arms of the budgetary authority

¹ OJ L 176, 7.7.1988.

² OJ L 336, 27.12.1977.

³ OJ L 94, 28.4.1970.

⁴ Bull. EC 2-1988, point 1.1.1 *et seq.*

⁵ OJ C 241, 8.9.1987; Bull. EC 7/8-1987, points 1.1.3 and 1.1.4; OJ C 102, 16.4.1988; Bull. EC 3-1988, point 2.3.4.

⁶ Bull. EC 6-1984, point 1.1.1 *et seq.*

⁷ OJ C 187, 18.7.1988.

⁸ OJ C 167, 27.6.1988; Bull. EC 5-1988, point 2.3.6.

⁹ Commission proposal. OJ C 111, 28.4.1988; Bull. EC 3-1988, point 2.3.6.

¹⁰ OJ C 345, 21.12.1987; Bull. EC 11-1987, point 1.1.5; Bull. EC 2-1988, point 1.1.1 *et seq.*; Bull. EC 3-1988, point 2.3.7; OJ C 146, 3.6.1988; Bull. EC 4-1988, point 2.3.7.

for the necessary adjustments, taking into account the conditions of execution on the basis of the schedules of utilization of commitment and payment appropriations. The agreement also provides for the possibility of a review of the financial perspective by joint decision of the two arms of the budgetary authority. For the Council the expenditure ceilings laid down in the financial forecasts, plus the safety margin of 0.03% of GNP, also constitute the maximum annual limits for own resources, which will be entered, as percentages of Community GNP, in the own

resources Decision as an additional measure of budgetary discipline (→ point 2.3.5). Another important aspect of the Agreement is the mutual obligation to comply with the financing objectives set by the European Council for certain priority policy areas (structural Funds, integrated Mediterranean programmes, framework research programme). The Council, Parliament and the Commission also state their agreement on the budgetary discipline defined by the European Council for compulsory expenditure (in particular the guideline in the agricultural sector), and undertake to comply with it.

Table 8 — *Interinstitutional agreement — financial perspective*
(Commitment appropriations)

	<i>million ECU at 1988 prices</i>				
	1988	1989	1990	1991	1992
1. EAGGF Guarantee	27 500	27 700	28 400	29 000	29 600
2. Structural operations	7 790	9 200	10 600	12 100	13 450
3. Policies with multiannual allocations (IMPs, research)	1 210	1 650	1 900	2 150	2 400
4. Other policies	2 103	2 385	2 500	2 700	2 800
of which: non-compulsory	1 646	1 801	1 860	1 910	1 970
5. Repayments and administration	5 700	4 950	4 500	4 000	3 550
of which: stock disposal	1 240	1 400	1 400	1 400	1 400
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
Total	45 303	46 885	48 900	50 950	52 800
of which: compulsory	33 698	32 607	32 810	32 980	33 400
non-compulsory	11 605	14 278	16 090	17 970	19 400
Payment appropriations required	43 779	45 300	46 900	48 600	50 100
of which: compulsory	33 640	32 604	32 740	32 910	33 110
non-compulsory	10 139	12 696	14 160	15 690	16 990
Payment appropriations as % of GNP	1.12	1.14	1.15	1.16	1.17
Margin for unforeseen expenditure	0.03	0.03	0.03	0.03	0.03
Own resources required as % of GNP	1.15	1.17	1.18	1.19	1.20

2.3.9. After conciliation with Parliament on the amendments it requested¹ to the proposal on which the Council had reached general agreement in principle at its meeting on 13 and 14 June, the Council on 24 June formally adopted the decision on budgetary discipline² to put into effect the conclusions of the Brussels European Council of 11 to 13 February.³

2.3.10. On 15 June Parliament had already adopted a resolution¹ ratifying an inter-institutional agreement on budgetary discipline and improvement of the budgetary procedure.⁴ In view of the general importance of interinstitutional agreements as instruments for the constantly evolving interpretation of budgetary rules and their more specific importance for harmonious cooperation between the institutions with a view to implementing the Single Act,⁵ Parliament undertakes to comply with the 1988-92 financial perspectives proposed for each category of expenditure as the basic element of interinstitutional budgetary discipline. It calls on the Commission to supplement the financial perspective each year with the details needed to draw up a five-year estimate of expenditure, going beyond 1992 and taking full account of expenditure at present not entered in the budget. Since implementation of the agreement calls for substantial improvements in interinstitutional cooperation and conciliation, Parliament finally calls on the Commission to submit a proposal for the revision of the Joint Declaration of 4 March 1975 on the legislative conciliation procedure.⁶

2.3.11. In accordance with the conclusions of the European Council of 11 to 13 February,⁷ on 6 June the Commission sent the budgetary authority its third report on the trend in EAGGF Guarantee expenditure (early warning system) (→ point 2.1.236).

Budget discharge

2.3.12. At its sitting on 17 June Parliament adopted three decisions granting a discharge

in respect of implementation of its budget for 1983, 1984 and 1985. It also adopted a resolution on the subject (→ point 2.4.25).¹

Financial Regulation

2.3.13. On 7 June the Council adopted the final version⁸ of the Regulation⁹ amending temporarily the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities.¹⁰ The purpose of this regulation is to incorporate into the Financial Regulation the changes in the financing arrangements for the agricultural policy adopted by the Council on 19 October 1987¹¹ introducing a system of advances against amounts booked.

2.3.14. After conciliation with Parliament on the amendments it requested¹ to the proposal¹² on which the Council had reached a consensus at its meeting of 13 and 14 June, the Council on 24 June formally adopted an amendment to the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities.¹⁰ In accordance with the conclusions of the European Council of 11 to 13 February,¹³ the changes made relate to the following aspects:

(i) the introduction of a time-limit for the implementation of legal commitments entered into by the Commission for measures extending over more than one financial year;

¹ OJ C 187, 18.7.1988.

² Commission proposal: OJ C 146, 3.6.1988; Bull. EC 4-1988, point 2.3.7.

³ Bull. EC 2-1988, point 1.1.1 *et seq.*; Bull. EC 3-1988, point 2.3.7.

⁴ OJ C 345, 21.12.1987; Bull. EC 11-1987, point 1.1.5, Bull. EC 2-1988, point 1.1.1 *et seq.*, Bull. EC 3-1988, point 2.3.7; OJ C 146, 3.6.1988; Bull. EC 4-1988, point 2.3.7.

⁵ OJ L 169, 29.6.1987; Supplement 2/86 — Bull. EC.

⁶ OJ C 89, 22.4.1975.

⁷ Bull. EC 2-1988, point 1.1.1 *et seq.*

⁸ Bull. EC 4-1988, point 2.3.19.

⁹ OJ L 143, 10.6.1988.

¹⁰ OJ L 356, 31.12.1977.

¹¹ OJ L 304, 27.10.1987; Bull. EC 10-1987, point 2.1.169.

¹² OJ C 99, 14.4.1988; Bull. EC 3-1988, point 2.3.10.

¹³ Bull. EC 2-1988, point 1.1.1 *et seq.*

(ii) strengthening of the principle of annuality: this involves discontinuing 'automatic' carryovers of commitment appropriations and payment appropriations—the Commission may, however, decide by 15 February of the following year to carry over certain commitment and payment appropriations subject to strictly defined criteria provided that it informs the budgetary authority by 15 March—and allowing commitment appropriations released as a result of total or partial cancellation of the corresponding projects—the Commission, after examining the appropriations which have been released in the previous financial year, may, however, decide, by 15 February of the following financial year, to make these appropriations available again when the budget does not contain sufficient appropriations for carrying out the programme originally planned: it must inform the budgetary authority by 15 March and state the reasons for maintaining these appropriations;

(iii) EAGGF budget execution, namely the entry in the accounts of advances, which are charged to the year in which the Commission pays them to the Member States, the provisions to be applied to transfers concerning the 'monetary reserve', the shortening of the 'additional period', which will now end on 31 January instead of 31 March, and reference to the Regulation of 21 April 1970 on the financing of the common agricultural policy¹ in respect of the timetable for the clearance of accounts (the Commission will have to present a proposal to this effect);

(iv) official recognition of the negative reserve, limited to a maximum of 200 million ECU.

2.3.15. On 24 June, after Parliament had delivered its opinion,² the Council adopted two Regulations containing financial arrangements for agriculture to put into effect the conclusions of the European Council of 11 to 13 February:³ a Regulation⁴ amending the Regulation of 21 April 1970 on the financing of the common agricultural policy¹ and a Regulation⁵ amending the

Regulation of 2 August 1978 laying down general rules for the financing of interventions by the European Agricultural Guidance and Guarantee Fund, Guarantee Section.⁶

2.3.16. On 24 June, after Parliament had delivered its opinions,⁷ the Council also adopted two Regulations concerning structural measures (→ points 2.1.159 and 2.1.166):

(i) a Regulation on the tasks of the structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the EIB and the other existing financial instruments;

(ii) a Regulation on financial support for Portugal for a specific industrial development programme (Redip).⁸

Budget control

2.3.17. On 21 June the Commission sent the Council its monthly report on the implementation of the budget of the European Communities at 31 May (provisional-twelfths arrangements).⁹

ECSC operating budget

2.3.18. On 24 June the Council agreed to re-examine the social measures accompanying the restructuring of the steel industry (→ point 2.1.53). In the proposal for a Decision on a contribution from the general budget of the Communities to the ECSC to finance social measures connected with the

¹ OJ L 94, 28.4.1970.

² OJ C 187, 18.7.1988.

³ Bull. EC 2-1988, point 1.1.1 *et seq.*

⁴ Commission proposal: OJ C 152, 10.6.1988; Bull. EC 4-1988, point 2.1.164.

⁵ Commission proposal: OJ C 129, 18.5.1988; Bull. EC 4-1988, point 2.1.163.

⁶ OJ L 216, 5.8.1978.

⁷ OJ C 167, 27.6.1988; Bull. EC 5-1988, points 2.1.101 and 2.1.107.

⁸ Commission proposal: OJ C 120, 7.5.1988; Bull. EC 3-1988, point 2.1.115.

⁹ COM(88) 329 final.

restructuring of the steel industry, attached to its communication on steel policy,¹ the Commission set the exceptional contribution from the general budget at 85 million ECU—65 million ECU in 1989 and 20 million ECU in 1990. Since normalization of the steel market will favour restructuring of the productive apparatus, the Commission expects this rationalization to lead to substantial job losses and therefore already proposes exceptional social measures to cushion the adverse impact.

2.3.19. On 21 June the Commission adopted the ECSC financial statements at 31 December 1987 and the outturn of the ECSC operating budget for 1987.²

2.3.20. On 1 June the Commission adopted an amendment to the ECSC operating budget for 1988³ and the draft budget for 1989 based on an increase in the levy. The *aide-mémoire* setting out these drafts⁴ will be sent to the ECSC Consultative Committee for information and to Parliament for an opinion.

Financial operations

EEC-ECSC

Loans raised

2.3.21. In June the Commission made a particularly large 500 million ECU 6-year

public issue with an interest rate of $7\frac{5}{8}\%$ issued at $101\frac{3}{4}\%$, to be shared equally between the EEC and the ECSC and a number of private placings in guilders, Luxembourg francs and marks for the equivalent of 231.1 million ECU.

Loans paid out

2.3.22. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission paid out loans in June for a total of 8.76 million ECU, broken down as follows:

Industrial loans

2.3.23. Industrial loans (Article 54) totalling 1 million ECU were granted to Denmark.

Conversion loans

2.3.24. Conversion loans (Article 56) totalling 7.05 million ECU were granted to Belgium.

Workers' housing

2.3.25. Housing loans totalling 703 000 ECU were granted for workers in the coal and steel industries in the United Kingdom, Italy and Spain.

¹ COM(88) 343 final.

² COM(88) 353 final.

³ OJ L 361, 21.12.1987; Bull. EC 12-1987, point 2.3.9.

⁴ COM(88) 342 final.

4. Political and institutional matters

European political cooperation

2.4.1. On 7 June the Ambassadors of France, the Federal Republic of Germany, Italy and the United Kingdom, and the Commission Delegate in Mogadishu expressed to the Somali Vice-Foreign Minister, Mr Samatar, their deep concern over the negative reaction of the Somali Government to the UN-organized evacuation of foreign relief and aid personnel from Hargeisa in Northern Somalia during heavy fighting between government troops and SNM rebels.

2.4.2. On 13 June the Foreign Ministers held a political cooperation meeting in Luxembourg, during which they adopted statements on East-West relations and on Lebanon, where presidential elections are due to be held in August.

East-West relations

1. The Ministers welcome the encouraging developments in East-West relations. The Twelve have long advocated and actively contributed to this process. It must maintain its dynamism.

2. The meeting in Moscow between President Reagan and General Secretary Gorbachev was a further step on the road to consolidating and intensifying East-West relations. The Twelve express their satisfaction at the progress made in the course of recent summit meetings between the USA and the USSR, notably on arms control and disarmament. The ratification of the INF Treaty clears the way for the elimination of a whole class of US and Soviet weapons. The Twelve, noting in particular its stringent verification provisions and its acceptance of the principle of asymmetrical reductions, confirm their view that it sets a valuable precedent for future arms control progress. The Twelve fully support efforts to agree on a 50% reduction in the strategic nuclear weapons arsenals of the USA and the Soviet Union.

They strongly advocate the early establishment of a global and effectively verifiable ban on chemical weapons.

They continue to work resolutely for the establishment of a secure and stable balance of conventional forces in Europe at a lower level.

3. The Twelve welcome the fact that the withdrawal of Soviet troops from Afghanistan has started. They express the hope that it will lead towards a just and peaceful settlement, in full respect of the Afghan people's right to self-determination. Such a settlement should be followed by rapid progress towards the solution of other regional conflicts.

4. The Twelve are paying close attention to the developments currently taking place in the Soviet Union and Eastern Europe. They welcome them, and hope that these changes will contribute to openings in the political systems of these countries, both towards the citizens of these States and towards the outside world. They are hopeful that such policies will contribute to a lasting improvement in East-West relations. For their part, they are willing to use such opportunities constructively.

5. These include opportunities for strengthening mutual economic relations. The Twelve hope that the current negotiations between the Community and some of the Eastern European countries will soon come to a conclusion. They note with satisfaction that relations are about to be established between the Community, the CMEA and its Member States. They hope that this would contribute to the overall improvement of relations and to enhancing stability in Europe.

6. The Twelve reiterate their determination to end the Vienna CSCE follow-up meeting by substantial and balanced results involving a better implementation of the commitments undertaken since 1975 and agreement on significant progress in all baskets, in particular in the human dimension of CSCE. This would allow an important step to be made in East-West relations and an early start to the negotiations on conventional stability, aiming at the establishment of a stable and secure balance of conventional forces in Europe at a lower level, and on confidence and security building.

On this occasion they wish to pay tribute to the efforts of the NNA countries, contained in their draft final document, which the Twelve consider a helpful contribution towards a balanced outcome in Vienna.

For their part, the Twelve are determined to continue working in this direction. They therefore call upon those countries who have not yet done so to show serious willingness to negotiate a substantial and satisfactory conclusion of the Vienna follow-up meeting in conformity with their recent public declarations.'

Lebanon

'The Twelve follow with concern the critical situation in Lebanon, which urgently requires a politi-

cal solution after 13 years of war and suffering. The proper functioning and strengthening of Lebanon's constitutional bodies is a precondition for such a solution.

The Twelve therefore believe that the orderly and constitutional conduct of the forthcoming presidential election will be of decisive importance for the future of the Lebanese Republic. They call upon all parties involved to support the preparation and good conduct of the election. The Twelve are convinced that lasting peace can only be achieved by national conciliation and a just solution of the internal problems, taking into account the legitimate interests of all the different communities of the country. This implies that all should be prepared to make mutual concessions. To this end the Twelve appeal to all parties to work together constructively for an early political solution to the Lebanese crisis and its regional implications.

The Twelve furthermore stress the need to intensify efforts aimed at restoration of the sovereignty, unity, independence and territorial integrity of Lebanon. The full independence and sovereignty of Lebanon must be respected, and it must solve its problems without foreign involvement or interference.

The Twelve underline their support for Unifil and call upon all parties to ensure that these forces are allowed to fulfil their mandate without hindrance.

The Twelve once more condemn the fact that hostages are still being held in Lebanon, and call for their immediate release.'

2.4.3. The Ministers also agreed on the following guidelines for the press concerning Central America:

'The Ministers discussed the present situation of the peace process in Central America, in the context of the Esquipulas II Agreement and of the San José IV Conference in Hamburg.

They expressed their concern that the momentum of the peace process should be maintained. Having strongly supported the efforts of the Central American States to reach peace in the region, particularly the Esquipulas II Agreement, they reaffirmed their determination — as expressed in the San José IV Conference in Hamburg¹ — to seek to promote the peace process.

They appeal to the governments of the Central American countries to build on Esquipulas II to reach a comprehensive peace without further delay and to implement its provisions in full. They attach particular importance to the conclusion of ceasefire agreements, to rapid progress towards pluralis-

tic democracy and to the establishment and implementation of procedures and modalities for the election of a Central American Parliament.

The Ministers restated their firm support for existing negotiations in Central America, as well as to the normal functioning of democratic institutions in the whole Latin American region.'

2.4.4. At their meeting in Luxembourg on 14 June the Foreign Ministers adopted the following joint statement concerning South Africa:

'The Foreign Minister today discussed the situation in South Africa following the decision by the Supreme Court of Pretoria not to re-open proceedings in the case of the Sharpeville Six.

The Ministers expressed their deep distress and concern about the fate of the Sharpeville Six.

They urged that all legal options available in South Africa should be used to prevent the death penalty from being carried out. In this connection they drew attention to earlier representations by the European Community.

The German Ambassador in Pretoria will be making representations to the South African Government on behalf of the Twelve.'

2.4.5. On 15 June the following joint political statement was issued to mark the signing of the Cooperation Agreement between the European Community and the countries of the Gulf Cooperation Council (GCC):

'1. On the occasion of the signing of the Cooperation Agreement between the European Community and the Member States of the Cooperation Council for the Arab States of the Gulf (GCC), the European Community and its Member States and the GCC and its member States expressed their determination to continue strengthening and intensifying relations between the two regions in the political, economic and cultural fields. The signing of the Agreement will no doubt create the momentum for the strengthening of their already solid relations and will expedite the realization of their common objectives.

2. On this occasion the Ministers of the European Community and the GCC discussed regional and international issues of common interest. They expressed their deep concern over the gravity of the situation in the Occupied Territories. They share the view that the repressive measures taken

¹ Bull. EC 3-1988, point 1.3.1 *et seq.*

by Israel against the Palestinian people are in clear contradiction to international law and human rights and must stop forthwith. This situation underlines the urgent need for a speedy negotiated settlement of the Arab-Israeli conflict. In this context, the Ministers of the European Community and the GCC, recalling respectively the Venice Declaration¹ issued by the European Council and subsequent declarations and the Fez Plan and subsequent statements adopted by the Arab League summit, reaffirmed their support for the early convening of an international peace conference and will do their utmost with a view to reaching a just, comprehensive and lasting peace in the Middle East.

Both sides expressed their profound concern about the continuation of the war between Iraq and Iran, which endangers international peace, security and stability. They reiterated their full support for the early implementation of Security Council resolution 598 and commended the efforts of the UN Secretary-General in this regard. They urged the Security Council to take every effort for the realization of a peaceful solution to the conflict and to take whatever additional measures are necessary in accordance with the UN Charter to secure compliance with Security Council resolution 598.

The two sides also reviewed problems related to navigation in the Gulf's international waterways. They explicitly emphasized that freedom of navigation and unimpeded flow of trade is a cardinal principle in international relations and international law. In this context they call upon the international community to safeguard the right of free navigation in international waters and sea lanes for shipping en route to and from all ports and installations of the littoral States that are not party to the hostilities.

3. Reaffirming that cooperation between the European Community and the GCC countries is complementary to the Euro-Arab dialogue and not a substitute for it, they expressed their determination to support actively the objectives of the dialogue and contribute positively towards its success.

4. Recognizing the positive role of the GCC for the preservation of peace, security and stability of the Gulf region, the European Community and its Member States are determined to develop further cooperation with the GCC and its member States, particularly in the framework of the Cooperation Agreement. In so doing both sides will be contributing to peace and stability in the region.

5. Both sides expressed their determination to take necessary steps to ensure the early entry into force of the Cooperation Agreement signed today, and to pursue with vigour its subsequent

implementation. In accordance with the provisions of the Agreement, they decided to hold one annual meeting with the participation of the Member States of the Community and the Commission on the one hand, and the member States of GCC and the Secretariat-General of the GCC on the other hand.'

2.4.6. On 22 June the Twelve adopted the following joint statement on the situation in Haiti:

'The Twelve deeply deplore the events of 19 and 20 June. These events have severely damaged the process of restoring democracy in Haiti. After decades of dictatorship, the legitimate aspirations of the people of Haiti for freedom, progress and peace have again been frustrated.

The Twelve call for national reconciliation, strict observance of human rights, the consolidation of democracy and the early restoration of civilian government according to the principles laid down in the Constitution of Haiti.'

The Commission, too, expressed its deep concern at the turn of events.

2.4.7. At the end of the Euro-Arab Dialogue 'troika' meeting at ministerial level, held on 24 June in Bonn, both sides agreed on the following joint statement for the press:

'In order to revitalize the Euro-Arab Dialogue, the "troika" groups from both sides met in Bonn at Foreign Minister level on 24 June.

The European "troika" consisted of Hans-Dietrich Genscher, Federal Foreign Minister, in his capacity as President of the Council of Ministers, Benny Kimberg, State Secretary, representing the previous Presidency (Denmark) and Karolos Papoulias, Foreign Minister, representing the next Presidency (Greece). The Commission was represented by Commissioner Claude Cheysson.

The Arab "troika" consisted of Farouk Shara'a, Foreign Minister of Syria, in his capacity as President of the Council of Ministers of the Arab League, Mohamed Ali Hamoud, State Minister of Somalia, representing the incoming Arab League Presidency, and Hussein Suleyman Abu Salih, Foreign Minister of Sudan, representing the previous Presidency, and Arab League Secretary-General, Chedli Klibi.

¹ Bull. EC 6-1980, point 1.1.6.

This meeting offered the opportunity for a friendly and comprehensive exchange of views on Euro-Arab cooperation and the Euro-Arab Dialogue, which included all questions of mutual interest. There was a thorough discussion of the Arab-Israeli conflict and the serious situation in the Occupied Territories, the Lebanese problem and the danger of the continuation of the Iraq-Iran war.

Both “troikas” expressed their hope that the General Committee, the central body of the Dialogue, would meet soon. They expressed their strong interest in a swift reactivation of all institutions and activities set up in the framework of the Euro-Arab Dialogue.

Both parties reaffirmed their determination to give a new impetus to the work of the various bodies of the Dialogue, including the sixth meeting of the General Committee, while pursuing all efforts to create a positive atmosphere for the continuation of the Dialogue.’

2.4.8. At its meeting in Hanover on 27 and 28 June the European Council incorporated in its conclusions a number of statements on East-West relations, Afghanistan, the Middle East, South Africa, southern Africa and Latin America (→ point 3.4.1).

2.4.9. At its June part-session Parliament passed a resolution on its role in external policy within the framework of the Single European Act¹ (→ point 2.4.26).

Other intergovernmental cooperation

2.4.10. On 3 June the Ministers responsible for immigration held their fourth meeting in Munich. The Ministers responsible for internal security (Trevi) met the same day.

European policy and relations between the institutions

European policy

Implementing the Single Act

2.4.11. Following the consensus reached at the Council meeting (General Affairs)

on 13 and 14 June on the series of texts connected with implementation of the conclusions of the Brussels European Council of 11 to 13 February,² and after completion of all the preliminary procedures for the formal adoption of the instruments—in particular the conciliation procedure with Parliament on 20 June concerning the entire package—the Council put the final touches to the various, interconnected reforms proposed by the Commission in the communication it presented to Parliament on 18 February 1987.³ On 24 June the Council formally adopted the following instruments:

- (i) a Decision on the system of the Communities’ own resources (→ point 2.3.4);
- (ii) implementing arrangements concerning the calculation, financing, payment and entry in the budget of the correction of budgetary imbalances (→ point 2.3.5);
- (iii) a draft supplementary and amending budget for 1988 (→ point 2.3.2);
- (iv) an Intergovernmental Agreement providing for the payment of sums required to balance the general budget of the European Communities for the financial year 1988—confirmation of the revised figures (→ point 2.3.8);
- (v) a Decision concerning budgetary discipline (→ point 2.3.9);
- (vi) a Regulation amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities (→ point 2.3.14);
- (vii) a Regulation amending the Regulation of 21 April 1970 on the financing of the common agricultural policy (→ point 2.3.15);
- (viii) a Regulation amending the Regulation of 2 August 1978 laying down general rules for the financing of interventions by the European Agricultural Guidance and Guarantee Fund, Guidance Section (→ point 2.3.15);

¹ OJ C 187, 18.7.1988.

² Bull. EC 2-1988, point 1.1.1 *et seq.*

³ Bull. EC 2-1987, point 1.1.1 *et seq.*; Supplement 1/87 — Bull. EC.

(ix) a Regulation on the grant of financial compensation to Spain and Portugal following the depreciation of certain stocks of agricultural products (→ point 2.3.7);

(x) a Regulation on the tasks of the structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the EIB and the other existing financial instruments (→ point 2.1.159);

(xi) a Regulation on financial support for Portugal for a specific industrial development programme (Pedip) (→ point 2.1.166).

The Council also approved the draft Directive on the harmonization of definitions of gross national product at market prices.¹ This draft will be formally adopted once the own resources Decision has entered into force.

2.4.12. Earlier, on 13 June, the Council approved the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, the text of which had been established *ad referendum* during the interinstitutional dialogue (triadialogue) on 27 May.

The agreement is based on the following principles:

(i) its aim is to achieve the objectives of the Single European Act,² to give effect to the conclusions of the Brussels European Council on budgetary discipline and accordingly to improve the functioning of the annual budgetary procedure;

(ii) budgetary discipline under the Interinstitutional Agreement covers all expenditure and is binding on all the institutions involved for as long as the Agreement is in force;

(iii) the Agreement does not alter the respective budgetary powers of the various institutions as laid down in the Treaty;

(iv) the contents of the Interinstitutional Agreement may not be changed without the consent of all the institutions which are party to it.

The Agreement, in which the various parties went as far as they could to accommodate the other partners, represents a proper balance between positions which, on some points, were contradictory at the outset. Although the Agreement does not resolve all the problems, it constitutes a framework for proper mutual conduct which will make it possible to avoid a degree of tension that has arisen in the past and affected the equanimity of the budget debate. This is particularly important in the light of the effects which the decisions of the Brussels European Council³ will have, as they will lead each year to the maximum rate of increase for non-compulsory expenditure being exceeded, notably as a result of increases for the structural Funds, the IMPs, the framework research programme, etc.

Common rules for transposing those political decisions into the budget were therefore particularly important in order to prevent risks of potential conflict between the two arms of the budgetary authority (→ point 2.3.8).

2.4.13. The European Council, meeting in Hanover on 27 and 28 June, welcomed the positive course of relations between the institutions in recent months and underlined the importance of the Interinstitutional Agreement between the Council, the Commission and Parliament (→ point 2.4.12). It gave fresh impetus to work on completing the internal market, enhancing the social dimension and speeding up progress on the environment and towards monetary union. The European Council adopted a number of texts on political cooperation. Finally, it agreed to reappoint Mr Jacques Delors President of the Commission (→ points 1.1.1 and 3.4.1).

2.4.14. On 17 June Parliament passed three resolutions on the democratic deficit in the European Community, the procedures for consulting European citizens on European political union and the insti-

¹ OJ C 137, 27.5.1988; Bull. EC 4-1988, point 2.5.1.

² Supplement 2/86 — Bull. EC.

³ Bull. EC 2-1988, point 1.1.1 *et seq.*

tutional consequences of the cost of non-Europe¹ (→ point 2.4.24).²

European Parliament elections

2.4.15. At the Council meeting (general affairs) on 13 and 14 June, the Ministers produced a common position to hold the forthcoming elections of members of the European Parliament during the period from 15 to 18 June 1989³ and agreed to consult Parliament about these dates in accordance with the provisions of the Act concerning the election of the representatives of the Assembly by direct universal suffrage.⁴

Relations between the institutions

Cooperation procedure

2.4.16. In June the Commission sent the Council a number of proposals coming under the cooperation procedure. The Council adopted several common positions (→ point 2.4.27), while Parliament, on first or second reading, adopted its opinion on a large number of proposals, notably concerning the internal market and the environment.

Institutions and organs of the Communities

Parliament⁵

Strasbourg: 13 to 17 June

2.4.17. During the June part-session Parliament heard the report on the impressive achievements of the German Presidency of the Council over the last half-year (→ point 3.6.1). It also ratified the interinstitutional agreement on budgetary discipline and the improvement of budgetary procedure (→ point 2.4.10) and gave its opinion on a number of major instruments designed to

give effect to the conclusions of the Brussels European Council of 11 to 13 February⁶ on the financing of the Community. The House endorsed the Joint Declaration on the establishment of official relations with the Council for Mutual Economic Assistance (CMEA) (→ point 1.5.3) and passed several resolutions on progress towards European Union.

Approval of the interinstitutional agreement

2.4.18. As well as giving its opinion on the draft interinstitutional agreement on budgetary discipline and improvement of the budgetary procedure (→ points 2.3.8 and 2.4.12), drawn up under the interinstitutional dialogue procedure (trialogue) between the Presidents of Parliament, the Council and the Commission, the House also actually debated the same issue a second time when adopting its opinion on the Commission's proposal for a Council Decision on budgetary discipline (→ point 2.3.9)

The rapporteur of the Committee on Budgets on the two subjects, Mr P. Dankert (S/NL), pointed out at once that, although the agreement as such was more than acceptable, its value was questionable, since even before being adopted it was coupled with a legal instrument covering the same problems but open to unilateral amendment by the Council: all that could be accepted were implementing rules for internal use in the Council, with no binding effect on the two other parties to the agreement. Mr Dankert felt his concern to be all the more

¹ Bull. EC 3-1988, points 1.4.1 to 1.4.9.

² OJ C 187, 18.7.1988.

³ OJ C 122, 9.5.1988, Bull. EC 4-1988, points 2.4.10 and 2.4.19.

⁴ OJ L 278, 8.10.1976.

⁵ The texts of the resolutions adopted by Parliament appear in OJ C 187, 18.7.1988, and the report of the proceedings is published in OJ Annex 2-366. The political groups and countries of origin of members speaking in the debates are indicated in brackets after their names. The key to the abbreviations can be found in Bull. EC 1-1988, page 51 (footnote 2).

⁶ Bull. EC 2-1988, point 1.1.1 *et seq.*

justified in that differences of substance were to be found between the two texts, particularly with respect to increases in agricultural expenditure. That was why the Committee was proposing changes to make them match.

While Mrs Scrivener (*LDR/F*) welcomed the fact that the budgetary discipline arrangements were all-embracing, covering both agricultural and non-agricultural spending, other speakers had tempered their satisfaction with certain qualifications. Thus the rapporteur's misgivings about the co-existence of the agreement and the decision were shared by the Chairman of the Committee on Budgets, Mr J.P. Cot (*S/F*), Mr Arias Canete (*ED/E*), Mrs C. Barbarella (*Com/I*) and others. Whilst Mr Cot and Mr Anete, querying the wisdom of this rider to the agreement, had stressed that it must conform strictly with it, Mrs Barbarella also objected to the fact that in addition to the ceiling set on expenditure in the agreement, another ceiling was placed on resources accruing under another proposed decision also subject to Parliament's opinion and concerning the Community's own resources system (→ point 2.3.5). In presenting his report on own resources, Mr Langes (*EPP/D*) had approved the system, adding a request that the Commission produce a report in 1990 and make proposals for a Community tax by the end of 1989. Mr J.C. Pasty (*EDA/F*) saw the whole arrangement as a straitjacket for Community finances — especially for agricultural spending — the Community being placed in a 'limited-objective' rut until 1993, what he termed 'Europe on 1.2% of GNP'. Similarly, Mr B. Pranchère (*Com/F*), quoting the French Prime Minister, described as 'mass idiocy' the application of budgetary discipline to agriculture, especially when it meant — with regard to the United States — abandoning a dynamic cereals export policy and was coupled with the rejection of other possible sources of revenue (tax on oils and fats).

During the debate on the proposed decision on budgetary discipline, Mr J. Colom I Naval (*S/E*) called for a clear and definitive

system, while Mr C. O'Malley (*EPP/IRL*) wanted to see long-term objectives set for the structural Funds and a reappraisal of the concept of compulsory expenditure.

On behalf of the Commission Mr Christophersen stressed that the interinstitutional agreement represented, in terms of budgetary discipline, the only legally binding framework and it was strictly within that framework that the Council must adopt the decision, which bound the Member States but not the other Community institutions. While insisting on the implications of this essential agreement, Mr Christophersen regretted, as did the House, that annual revenue ceilings had been set.

At the close of the debates Mr Dankert's report was adopted by 299 votes for, 15 against and 4 abstentions. The report by Mr Langes on own resources was also adopted by a large majority.

2.4.19. Parliament adopted an opinion (first reading) on a Commission proposal for a Directive coordinating regulations on insider training (→ point 2.1.125).

2.4.20. Parliament adopted decisions (second reading) on the common positions of the Council on the following Commission proposals:

(i) three Decisions concerning programmes in the field of research and technology concerning applied metrology and chemical analyses (Community Bureau of References) (→ point 2.1.68), biotechnology (→ point 2.1.70) and a plan to stimulate the international cooperation and interchange needed by European research scientists (Science) (→ point 2.1.75);

(ii) two Decisions on Community programmes in the fields of information and telecommunications technology applied to road transport (Drive) (→ point 2.1.83) and learning technology (Delta) (→ point 2.1.81);

(iii) a second coordinating Directive relating to direct insurance other than life assurance (→ point 2.1.124).

2.4.21. Parliament gave its assent on the conclusion of two Protocols relating to the Cooperation Agreement between the Community and Morocco consequent on the accession of Spain and Portugal and to financial and technical cooperation between the Community and Morocco, and of an Additional Protocol to the Cooperation Agreement (→ points 2.2.32 and 2.2.36).

2.4.22. Parliament gave opinions on the following Commission proposals:

(i) a Regulation establishing a single facility providing medium-term financial support for Member States' balance of payments (→ point 2.1.7);

(ii) a Directive for the implementation of Article 67 of the EEC Treaty — Liberalization of capital movements (→ point 2.1.9);

(iii) an amendment to the Directive on regulating international capital flows and neutralizing their undesirable effects on domestic liquidity (→ point 2.1.10);

(iv) an amendment to the Decision empowering the Commission to borrow under the NCI with regard to exceptional Community aid to areas stricken by the earthquakes of September 1986 in Greece (→ point 2.1.12);

(v) two Regulations instituting a programme of accompanying social measures to assist workers in the shipbuilding industry who are made redundant or threatened with redundancy (→ point 2.1.141) and a Community programme to assist the conversion of shipbuilding areas (Renaval programme) (→ point 2.1.153);

(vi) two Decisions supplementing Annex IV to the Convention for the Protection of the Rhine against Chemical Pollution, in respect of mercury and of carbon tetrachloride (→ point 2.1.173);

(vii) a Regulation laying down common rules applicable to certain products which deplete the ozone layer (→ point 2.1.182);

(viii) several Regulations on the fixing of agricultural prices and related measures for the 1988/89 marketing year (→ point 2.1.198);

(ix) a Decision on specific aid for development of farm statistics in Ireland (→ point 2.1.221);

(x) a Directive on health problems affecting the production and the placing on the market of egg products (→ point 2.1.225);

(xi) an amendment to the Directive on protective measures against the introduction into the Member States of organisms harmful to plants or plant products (→ point 2.1.230);

(xii) a Regulation concerning the conclusion of the agreement between the Community and Morocco on relations in the sea fisheries sector (→ point 2.1.239);

(xiii) a Directive on the approximation of the laws of the Member States relating to the tread depth of tyres of certain categories of motor vehicles and of their trailers (→ point 2.1.260);

(xiv) an amendment to the Directive on the weights, dimensions and certain other technical characteristics of certain road vehicles (→ point 2.1.261);

(xv) a Decision on the common position to be adopted by Member States when signing and ratifying the United Nations Convention on Conditions for the Registration of Ships (→ point 2.1.266);

(xvi) a Decision on the conclusion of the Joint Declaration on the establishment of official relations between the Community and the Council for Mutual Economic Assistance (CMEA) (→ point 1.5.3);

(xvii) two amendments to the Regulations concerning the financing of the common agricultural policy and interventions by the EAGGF Guarantee Section (→ point 2.3.15);

(xviii) two Decisions concerning the system of own resources and budgetary discipline, and an amendment to the Financial Regulation applicable to the general budget of the Community (→ point 2.3.6, 2.3.9 and 2.3.14);

(xix) a Decision establishing a Court of First Instance as drafted by the Court of Justice (→ point 2.4.32);

(xx) a Directive on the harmonization of definitions of gross national product at market prices (GNPmp) and improvements to the basic statistics needed to estimate it (→ point 2.5.2).

2.4.23. Parliament adopted two resolutions on draft Commission Regulations on the application of Article 85(3) of the Treaty to certain categories of franchise agreements, and to certain categories of know-how licensing agreements (→ points 2.1.105 and 2.1.106).

2.4.24. Resolutions were passed on the following subjects:

Creation of a European financial area. Noting that profound changes have been taking place in the international financial market in recent years and that the major expansion of the financial sector, with no parallel economic growth, has been detrimental to the development of the economy as a whole, Parliament approved in principle the Commission's programme for the final phase of the process of opening up the capital markets in the Community.¹ It pointed out, however, that if a genuine European financial area was to come about, a number of other conditions also had to be met in order to obviate the risks of wider economic divergence, segmentation of the Community and increased monetary imbalances that full liberalization of capital movements by itself entail. Parliament therefore called for simultaneous measures for the approximation of banking laws — full liberalization of financial services; safeguards for the integrity of the European markets and protection of savings; freedom of establishment and the freedom to provide services for financial agents; harmonization of prudential rules and equivalent levels of information and protection for investors; monitoring and prudential verification at Community level — and fiscal laws — to combat tax evasion and the flight of capital to countries outside the Community — and the assertion of the Community's monetary identity, mainly by restating objectives and substantially widening the scope of the European Monetary System (EMS) with a more meaningful role for the ECU.

Completion of the internal market. Parliament gave its opinion in three resolutions on the third report² on implementation of the Commission's White Paper on completing the internal market.³ Concern was expressed about the delay in Council proceedings and the serious risks for the completion of the internal market, and Parliament called on the Commission, in its next reports, to present proposals for remedying the situation. The House emphasized the need to keep advancing simultaneously along the different avenues of Community integration and indicated, with varying stress in each of the resolutions, what the priorities must be: greater social and regional cohesion; substantial strengthening of the structural Funds; compensation for job losses occurring in the short term from completion of the large market; closer convergence of economic and monetary policies; full liberalization of capital movements; harmonization of indirect taxation; setting-up of a working group to study the creation of a European currency and a European central bank; elimination of the many obstacles to the crossing of frontiers; definition of a consistent programme to guarantee internal security; full application of the conclusions of the Adonnino report on a people's Europe;⁴ maximum publicity for the study 'Europe 1992 — The overall challenge'⁵ and similar studies.

The institutional consequences of the cost of 'non-Europe'. The study made by the Commission⁵ suggests that enormous advantages will accrue from implementing all the measures designed to reduce the cost of 'non-Europe'. However, Parliament took the view that the desired savings and reforms cannot be made without a major improvement in the decision-making procedures and the balance between the institutions. It therefore called for efforts to secure greater transparency in the decision-

¹ OJ C 26, 1.2.1988; Bull. EC 10-1987, point 1.1.3.

² Bull. EC 3-1988, point 2.1.9.

³ Bull. EC 6-1985, point 1.3.1 *et seq.*

⁴ Supplement 7/85 — Bull. EC; Bull. EC 3-1985, points 2.1.8 and 3.5.1; Bull. EC 6-1985, points 1.4.1 to 1.4.8.

⁵ Bull. EC 3-1988, point 1.4.1 *et seq.*

making process — with which Parliament should be more closely associated — a change in the Council's working methods, a wider margin of executive independence for the Commission, whose appointment should be determined more democratically, and the provision of conciliation machinery in the event of deadlock between Parliament and the Council. The House also called on the Member States to press on with the study on establishing a Community central bank and to seek better coordination of their financial policies. Finally, Parliament held that, wherever they did not entail formal amendments to the Treaties, the desired changes could be made informally, on the basis of an interinstitutional agreement.

Sign languages for the deaf. In order to promote the integration of deaf people into society on terms fair to the deaf, Parliament advocated a number of measures designed to encourage the development of sign language, use of which must be regarded as a right. The measures, which would have to be determined in collaboration with those concerned and be given more generous funding by the Community, are mainly concerned with making sign-language-interpreting a recognized profession and extending the use made of it—notably in television broadcasting and for administrative circulars produced on video. Specific recommendations include the teaching of sign language to people who can hear, the publication of sign language dictionaries and the promotion of exchanges.

Restoration of the historic centre of the city of Palermo and the conservation of the architectural heritage of Lisbon. In two resolutions Parliament expressed its concern at the grievous deterioration of buildings and monuments in the historic centre of Palermo and the consequent depopulation, and at the dilapidation of Lisbon's architectural heritage. The House commended the efforts of both city authorities. In view of the historical, cultural and social, but also economic importance of the quarters concerned, Parliament also called for assistance from the Community's financial instruments, and particularly from the ERDF, in

order to preserve the architectural heritage of the two cities.

Industrial, social and regional aspects of shipbuilding. With this major industry now in a critical situation Parliament emphasized the need for an overall Community strategy, a strategy which it found to be missing from the Commission's proposals.¹ Congratulating the Commission on its proposals for financial aid, the House urged it to make a searching appraisal of a number of problems and to propose a much more forceful response on the matter of commercial policy. Confirming the position taken in its September 1986 resolution² on the third memorandum on the common transport policy: maritime transport,³ Parliament proposed a scrap-and-build policy and asked the Commission to present proposals for a European flag in view of the close links between the shipping and shipbuilding sectors.

Pollution of the Rhine and watercourses in general. In the first resolution, Parliament stressed the key role of the Community in combating pollution of the Rhine and hoped that further efforts would be made to protect the river against the risks of industrial accidents and the perpetual chemical, salt and thermal pollution. The House therefore urged the Commission to take various steps against these hazards and hoped that similar measures would be taken for the other main transfrontier rivers, such as the setting up of a solidarity fund designed to even out the costs of cleaning them up, and formal approaches to Switzerland and other non-Community neighbouring countries inviting them to bring their environmental legislation into line with Community directives. In a second, more general resolution, Parliament called for a comprehensive strategy to rehabilitate river ecosystems, covering all sources of pollution. Stressing the importance of inter-

¹ OJ C 291, 31.10.1987; Bull. EC 7/8-1987, point 2.1.146; Bull. EC 4-1988, point 2.1.102.

² OJ C 255, 13.10.1986; Bull. EC 9-1986, point 2.1.153.

³ OJ C 212, 23.8.1985; Supplement 5/85 — Bull. EC; Bull. EC 4-1985, points 1.2.1 to 1.2.4.

regional and international cooperation, through the conclusion of bilateral or multilateral agreements and by setting up inter-regional, national or international water authorities, it stressed the need for effective prevention, notably through the policy of the EIB in its support for certain investments.

Protection of the ozone layer. Emphasizing the importance of the Vienna Convention for the Protection of the Ozone Layer¹ and the Montreal Protocol on Substances that Deplete the Ozone Layer,² Parliament, while deploring the fact that certain Member States have still neither signed nor ratified them, hoped that the Community would start to introduce more stringent measures than those required by the Protocol, especially with regard to aerosols, refrigerants and solvents. The House urged that the research now under way be continued and intensified on an international basis. The Commission was requested to make arrangements to ensure supervision and monitoring and to keep users informed.

United States protectionism. In a general review of trade relations, Parliament expressed its deep concern at the gradual weakening of the open system of multilateral trade attributable to the tendency towards bilateralism and to the proliferation of restrictive and obscure commercial practices. The House considered various aspects of relations between the Community and the United States, for which it recommended negotiated solutions rather than unilateral action. Welcoming President Reagan's veto on the Trade Bill, which runs counter to the principles of multilateralism in decision-making and sectoral agreements, the House highlighted the enormous, real economic costs that American protectionist measures in the industrial sector might entail, thus prompting it to reject American objections to the funding of the Airbus programme. Parliament also wanted to see a common position emerge within GATT on support for agriculture. It therefore hoped that in the matter of reducing public aid to agriculture, the United States would match the measures already applied by the Com-

munity. In view of the vital importance of stable exchange rates for the prosperity of the world economy, Parliament again called on the United States to continue systematically the effort to reduce its budgetary deficit.

European Foundation for East European Studies. Confirming its resolution on establishing a European Foundation for East European Studies³ Parliament requested the Commission to present a formal proposal as soon as possible. In the meantime the House called for measures to prepare for the formal creation of such a Foundation.

Democratic deficit in the European Community. Arguing that European integration must be founded on the basic principles of democracy and the democratic parliamentary system is the best way of converting the will of the people into prescriptive decisions, Parliament deplored the steadily growing 'democratic deficit' in the building of Europe, where the transfers of powers from the national parliaments to the Council were not counterbalanced by any democratic and Parliamentary control. With the danger of bureaucratization and estrangement from the popular will—dangers all the more serious in that, more often than not, the people are unaware of the democratic deficit—Parliament called for a redistribution of powers to enable Parliament to play a full part in the Community's decision-making process. The House restated its demand⁴ that the Parliament elected in 1989 be entrusted with the task of drawing up a plan for European Union and suggested, wherever this is constitutionally possible, the holding of referendums in the Member States on European Union and on the powers to be vested in the European Parliament. The House again urged the national parliaments to work together to seek solutions to the problem of the demo-

¹ Bull. EC 3-1985, point 2.1.73; Bull. EC 2-1988, point 2.1.104.

² Bull. EC 9-1987, point 2.1.114; Bull. 2-1988, point 2.1.104.

³ OJ C 283, 10.11.1986, Bull. EC 10-1986, point 2.4.19.

⁴ OJ C 190, 20.7.1987; Bull. EC 6-1987, point 2.4.19.

cratic deficit caused by the present method of integration.

Procedures for consulting European citizens on European political union. Noting the widely varying forms and procedures for such consultation in the Member States, and the fact that in some countries they do not exist at all, Parliament stressed the importance of learning by any means what the European public's attitude was to European political union and Parliament's role in the process. In the hope that the Parliament elected in 1989 will be able to perform the task of drawing up a proposal for the establishment of European political union, the House wanted to see more initiatives taken in organizing popular consultations and recommended, wherever such consultations could not legally be held, that provision be made for similar strategies and alternative means of involving the European citizen.

2.4.25. Acting under its powers on budgetary matters, Parliament adopted, on 17 June, three decisions (→ point 2.3.12) and a resolution¹ on discharges in respect of its budget for 1983, 1984 and 1985.

2.4.26. Parliament passed one resolution in the field of political cooperation.

*The role of Parliament in external policy within the framework of the Single Act.*² Reaffirming its resolve to make the most of the political opportunities offered by the

Single Act, Parliament stressed the importance it attaches to the new assent procedure, as regards both the accession of new Member States and the conclusion of association agreements with non-member countries. It hoped, however, that this would be backed up by a procedure for consultation and debate to involve it in earlier stages of negotiation. Noting the provisions of the Single Act concerning political cooperation, the House stressed that, in this field too, close and regular contact should be maintained with the Presidency of political cooperation so that Parliament would be kept fully informed and truly participate in the procedure. The House also instructed its President to enter into negotiations with the Council and the Commission with the aim of reaching an interinstitutional agreement on the aspects of this resolution affecting relations between the institutions.

Council

2.4.27. The Council held 13 meetings in June. The table below 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.

¹ OJ C 187, 18.7.1988.

² OJ L 169, 29.6.1987; Supplement 2/86 — Bull. EC.

Table 9 — *Council meetings in June*

Number, place and date of meeting	Subject	President	Commission	Main items of business
1245th Luxembourg 7 June	Internal market consumer protection and information	Mr Bangemann Mr Schlecht	Lord Cockfield, Mr Varfis, Mr Matutes	Recognition of higher-education diplomas ¹ Trade mark law ² Community patent Convention ² Plan of priority actions for development of information services market: common position ³ Right of residence

Number, place and date of meeting	Subject	President	Commission	Main items of business
1246th Luxembourg 9 June	Energy	Mr Bangemann	Mr Mosar	<p>Improvement of consumer involvement in standardization: Council resolution⁴</p> <p>Information on dangers arising from use of consumer products⁴</p> <p>First report on integration of consumer policy in other common policies: Council conclusions⁴</p> <p>Improvement of business environment and action to promote development of enterprises, especially SMEs in the Community: Council resolution²</p> <p>Internal energy market: conclusions of Presidency⁵</p> <p>Member States' energy policies in the light of the 1995 Community energy objectives⁵</p> <p>Cooperation between public electricity supply companies and auto-producers of electricity⁵</p> <p>Encouragement of investments in use of solid fuels in industry and in public buildings and district heating systems: Council conclusions⁵</p> <p>Developing the exploitation of renewable energy sources in the Community: recommendation⁵</p>
1247th Luxembourg 9 June	Labour and social affairs	Mr Blüm	Mr Marín	<p>Organization of work in the field of social policy by the 'troika'</p> <p>Ban on certain carcinogenic substances: Directive⁶</p> <p>Protection of workers from exposure to benzene: common position⁶</p> <p>Limit values for exposure to chemical, physical and biological agents at work: common position⁶</p> <p>Protection against risks due to carcinogens at work: policy debate⁶</p> <p>New framework Directive and workplace Directive: policy debate⁶</p> <p>Equal treatment for men and women in social security schemes⁶</p>
1248th Luxembourg 13 June	Economic and financial affairs	Mr Stoltenberg	Mr Delors Mr Christophersen Lord Cockfield	<p>Liberalization of capital movements: agreement⁷</p> <p>Interinstitutional agreement on budgetary discipline: approval⁸</p>

Council

Number, place and date of meeting	Subject	President	Commission	Main items of business
1249th Luxembourg 13 and 14 June	General affairs	Mr Genscher	Mr Delors, Mr Natali, Lord Cockfield, Mr Christophersen, Mr Varfis, Mr De Clercq	<p>Tax exemptions for certain temporarily imported means of transport: exchange of views</p> <p>Preparation for European Council Date of elections to Parliament⁸ Setting-up of Court of First Instance Appointment of Judges and Advocates-General at the Court of Justice CMEA: signing of Joint Declaration⁹ Negotiations with Hungary¹⁰ Relations with EFTA countries¹¹ Relations with Gulf States¹⁰ Relations with ACP States: guidelines for renewal of ACP-EEC Convention: conclusions of Presidency¹² Implementation of conclusions of European Council⁸</p>
1250th Luxembourg 13 to 17 June	Agriculture	Mr Kiechle	Mr Andriessen	<p>Agricultural prices and related measures (1988/89)¹³ Aid to German farmers¹³ Transitional aid to agricultural income Harmonization of veterinary and zootechnical legislation¹³ Zootechnical standards — pigs</p>
1251st Luxembourg 16, 17, 28 and 29 June	Environment	Mr Toepfer	Mr Clinton Davis	<p>Ozone: approval and implementation of Vienna Convention and Montreal Protocol⁴ Large combustion plants: agreement⁴ Pollutant emission from private vehicles fitted with diesel engines: Directive⁴ Major accident hazards: common position⁴ Environment and agriculture¹³ Cross-border shipment of toxic and hazardous waste to developing countries⁴ Gaseous pollution from small cars: initial position⁴ Waste from titanium dioxide industry⁴ Environment and employment creation⁴</p>

Number, place and date of meeting	Subject	President	Commission	Main items of business
1252nd Luxembourg 20 and 21 June	Transport	Mr Warnke	Mr Clinton Davis	<p>Protection of North Sea and other Community waters: resolution⁴</p> <p>Shipping</p> <p>Structural improvements in inland waterway transport</p> <p>Liberalization of road haulage: Regulation¹⁴</p> <p>Social legislation in field of road transport: harmonization of controls: broad consensus¹⁵</p> <p>Roadworthiness tests for motor vehicles¹⁵</p> <p>Weights and dimensions of road vehicles¹⁵</p> <p>Charging of transport infrastructure costs</p> <p>Community railway policy: conclusions of Presidency¹⁵</p> <p>Admission to occupation of road haulage operator in national and international transport operations: Council conclusions</p> <p>Aid granted for transport by rail, road and inland waterway—combined transport operations</p> <p>Fixing of rates for carriage of goods by road between Member States¹⁵</p> <p>Negotiations with Austria, Switzerland and Yugoslavia on transport: Council conclusions¹⁵</p>
1253rd Luxembourg 22 June	Internal market	Mr Bangemann	Lord Cockfield, Mr Sutherland	<p>Recognition of higher-education diplomas: common position¹</p> <p>Merger control¹⁶</p> <p>Trade mark law: common position²</p> <p>Community patents²</p> <p>Customs warehouses, free zones and free warehouses</p> <p>Pricing of medicinal products¹⁷</p> <p>Harmonization of legislation on tractors¹⁷</p> <p>Construction products: common position¹⁷</p> <p>Public works contracts</p> <p>Right of residence</p>

Council

Number, place and date of meeting	Subject	President	Commission	Main items of business
1254th Luxembourg 23 and 24 June	Fisheries	Mr von Geldern, Mr Kittel	Mr Cardoso e Cunha	<p>Revision of common organization of market in fishery products: common position¹⁸</p> <p>Technical conservation measures¹⁸</p> <p>Fish and seal deaths in North Sea and Baltic</p> <p>Migration of fish stocks</p> <p>Fishing operations in NAFO area¹⁸</p> <p>Control measures for fishing activities</p> <p>Fishing in Greenland waters</p> <p>White zone in Baltic Sea</p> <p>Health conditions in respect of nematodes</p> <p>Imports of redfish from Iceland</p> <p>External relations in fisheries sector</p> <p>Situation on sardine market</p>
1255th Luxembourg 24 June	Industry	Mr Bangemann	Mr Narjes, Mr Sutherland	Steel policy: Council conclusions ¹⁹
1256th Luxembourg 29 June	Research	Mr Riesenhuber	Mr Narjes	<p>Drive programme: adopted³</p> <p>Delta programme: adopted³</p> <p>R&D programme relating to applied metrology and chemical analyses (BCR): adopted²⁰</p> <p>Science programme: adopted²⁰</p> <p>Biotechnology action programme: adopted²⁰</p> <p>Restructuring of JRC activities: guidelines²⁰</p> <p>Controlled thermonuclear fusion: common position²⁰</p> <p>Eureka²⁰</p> <p>Dissemination and utilization of scientific and technological research results³</p> <p>Norms and standards²⁰</p> <p>Aeronautical research²⁰</p> <p>European biotechnological research</p>
1257th Luxembourg 30 June	Telecommunications	Mr Schwarz-Schilling	Mr Narjes	<p>Development of common market for telecommunications services and equipment up to 1992: Council conclusions³</p> <p>World Administration Telephone and Telegraph Conference³</p>

Number, place and date of meeting	Subject	President	Commission	Main items of business
				Guidelines on telecommunications projects ³ Limiting of electromagnetic disturbance

- 1 Point 1.3.1.
- 2 Enterprise.
- 3 Telecommunications, information technology and innovation.
- 4 Environment and consumers.
- 5 Energy.
- 6 Employment, education and social policy.
- 7 Economic and monetary policy.
- 8 European policy and relations between the institutions.
- 9 Points 1.4.1 to 1.4.5.
- 10 Relations with other countries and regions.
- 11 Relations with industrialized countries.
- 12 Development.
- 13 Agriculture.
- 14 Points 1.4.1 to 1.4.4.
- 15 Transport.
- 16 Competition.
- 17 Internal market.
- 18 Fisheries.
- 19 Industrial strategy and services.
- 20 Research and technology.

Commission

Activities

2.4.28. The President of the Commission, Mr Delors, attended the Western Economic Summit in Toronto (→ points 1.6.1 to 1.6.6).

Mr Delors and Mr Natali represented the Commission at the Hanover European Council on 27 and 28 June (→ points 1.1.1 to 1.1.4). During this meeting the European Council, after consulting the President and enlarged Bureau of the European Parliament, agreed to reappoint Mr Delors for a further term as President of the Commission.

On 15 June the Commission received Mr Pangalos, the Greek Foreign Minister, for a broad discussion of the priority tasks for the second half-year, as Greece takes over the Presidency of the Council on 1 July.

Decisions, communications and proposals

2.4.29. The Commission sent the Council a Green Paper entitled 'Copyright and the

challenge of technology—Copyright issues requiring immediate action' (→ points 1.2.1 to 1.2.6).

In accordance with the Council Decision of 1974 concerning convergence, the Commission appraised the economic situation of the Community and adopted a communication to the Council on the short-term economic outlook and budget policies for 1989 (→ point 2.1.4).

The Commission addressed to Parliament a communication on a people's Europe, its achievements to date and the outlook for the future. It also sent the Council a proposal for a Directive on voting rights for Community nationals in local elections in the Member States where they reside. Lastly, it proposed the introduction of a standard Europe-wide emergency telephone number by 1992 (→ points 2.1.19 to 2.1.21).

Proposals for two Directives on the Community rules for the coordination of public procurement procedures in the sectors of water, energy, transport services and telecommunications, together with a communication on the industrial and economic

aspects of these proposals were sent to the Council (→ point 2.1.51).

According to a Commission communication to the Council, a programme of strategic measures in aeronautics and technology in Europe should be introduced as soon as possible (→ point 2.1.61).

The Commission sent the other institutions and the two sides of industry a memorandum on the Statute for the European company (→ point 2.1.127).

The Commission submitted a proposal to the Council for a resolution on combating racism and xenophobia. It also adopted a new decision on a procedure for prior notification and concertation on migration policies with regard to non-member countries, which is intended to replace the 1985 decision annulled by the Court of Justice (→ point 2.1.147).

The Council also received a Commission paper on environment and agriculture, which considers the problems of land use and the use of pesticides, intensive crop and livestock production and product quality (→ point 2.1.219).

Discussions and policy debates

2.4.30. The Commission examined an interim report on aid granted by the Member States. After consulting the Member

States' governments the Commission will adopt, probably in the autumn, a final report and will decide whether it should be published (→ point 2.1.108).

Court of Justice ¹

Court of First Instance

2.4.31. With the President of the Court of Justice attending, the Council meeting on general affairs held on 13 and 14 June examined the questions arising with regard to the establishment of a Court of First Instance. ²

2,4,32. On 17 June Parliament approved the proposal for a Council decision establishing a Court of First Instance, which was drawn up by the Court of Justice. ³ Parliament generally accepted the Court's proposal, departing from the Commission's current position ² on two important points (the new Court's jurisdiction in trade protection cases and the division of the Court into specialized panels of qualified judges), and on a more technical question to do with the definition of the classes of decision open to appeal to the Court of Justice.

¹ 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*).

² Bull. EC 5-1988, point 2.4.21.

³ OJ C 187, 18.7.1988.

2.4.33. New cases

Case	Subject	Basis
Free movement of goods		
134/88 <i>Linsey for Mansfield District Council v Payless DIY</i>	Is Article 30 of the EEC Treaty to be interpreted as prohibiting a rule which makes it a criminal offence in part of the territory of a Member State to sell certain goods on a Sunday?	Article 177 EEC
145/88 <i>Torfaen Borough Council v B&Q</i> ¹	Interpretation of Articles 30 to 36 of the EEC Treaty with reference to Sunday opening	Article 177 EEC
166/88 <i>City of Wakefield Metropolitan District Council v B&Q</i> ²	Interpretation of Articles 30 to 36 of the EEC Treaty with reference to Sunday opening	Article 177 EEC

Case	Subject	Basis
<p>Free movement of goods and consumer protection</p> <p>139/88 Spa Monopole v Compagnie des Eaux de Harre, and Compagnie des Eaux de Harre v Belgian State, represented by the Minister for Social Affairs and the Secretary of State for the Environment³</p>	<p>Conformity of the Royal Decree of 11 October 1985 with Articles 30 to 36 of the EEC Treaty and Council Directives 80/777/EEC on natural mineral waters and 80/778/EEC on water intended for human consumption</p>	<p>Article 177 EEC</p>
<p>Customs union</p> <p>164/88 Ministère Public v Rispal and Others²</p>	<p>Did the 'magic cubes' or 'magicubes' imported by Frecom from Taiwan fall, in March, April and May 1981, under heading No 97.03 or under heading No 97.64 of the Common Customs Tariff?</p>	<p>Article 177 EEC</p>
<p>Right of establishment</p> <p>130/88 van de Bijl v Staatssecretaris van Economische Zaken</p>	<p>Interpretation of Council Directive 64/427/EEC laying down detailed provisions concerning transitional measures in respect of activities of self-employed persons in manufacturing and processing industries falling within ISIC major groups 23 to 40 (industry and small craft industries)</p>	<p>Article 177 EEC</p>
<p>Taxation</p> <p>129/88 Comune di Rivergaro and Others v Ufficio Provinciale, IVA, Piacenza</p>	<p>Interpretation of Article 4(5) of the Sixth VAT Directive (77/388/EEC) with regard to the liability of local authorities to VAT in respect of certain activities carried on in their capacity as public authorities</p>	<p>Article 177 EEC</p>
<p>State aid</p> <p>162/88 France v Commission⁴</p>	<p>Annulment of Commission Decision C(88) 557 of 29 March 1988 on aids granted by the French Government to a farm machinery manufacturer at St Dizier, Angers and Croix (International Harvester/Tenneco), which declared the assistance illegal and incompatible with Article 92 of the EEC Treaty</p>	<p>Article 173 EEC</p>
<p>Social security</p> <p>140/88 Noij v Staatssecretaris van Financiën⁵</p>	<p>1. Do the rules on social security forming part of European Community law and intended to achieve the free movement of workers within the Community, in particular the rules on the determination of the legislation applicable con-</p>	<p>Article 177 EEC</p>

Case	Subject	Basis
<p>Free movement of workers</p> <p>141/88 Caisse Nationale d'Assurance Vieillesse des Travailleurs Salariés Région de Paris v Jordan³</p>	<p>tained in Title 2 of Council Regulation No 1408/71, prevent a person who resides in the territory of a Member State (hereinafter referred to as 'State of residence') and who since completing his work in paid employment in the territory of another Member State has been in receipt of a retirement pension in respect of that work payable by virtue of the social legislation of that other Member State from being charged contributions, partly on the basis of that retirement pension, as a person subject to compulsory insurance under the social legislation of the State of residence:</p> <p>(a) if, after completing the work performed in the territory of the other Member State, he no longer worked at all?</p> <p>(b) if, after completing the work, he worked in the territory of the State of residence for some time, either in paid employment or as a self-employed person?</p> <p>2. Is the answer to question (1) different if the work performed in the State of residence referred to in (b) above was of only minor importance?</p> <p>1. Are the alterations made by the legislation of the competent State to the method of determining the minimum old-age benefit covered by paragraph 1 or paragraph 2 of Article 51 of Council Regulation No 1408/71?</p> <p>2. Must the rule set out in Article 51(2) be applied without any restriction, despite any provision of national legislation determining the date when the alterations to the method of determining, or the rules for calculating benefits come into force and excluding from their scope of application pensions awarded prior to that date?</p>	<p>Article 177 EEC</p>
<p>Agriculture</p> <p>151/88 Italy v Commission⁶</p>	<p>Annulment of the Commission decision contained in a telex message to the Italian intervention agency interpreting the transitional provisions of Commission Regulation No 2290/87 amending Regulation 2329/85 laying down detailed rules for the application of special measures for soya beans and laying down transitional measures for contracts relating to the 1987/88 marketing year</p>	<p>Article 173 EEC</p>

Case	Subject	Basis
159/88 Van Sillevoldt, Euryza and De Erven de Weduwe J. Van Nelle v Hoofproductschap voor Akkerbouwprodukten ⁴	Interpretation of Council Regulation No 1418/76 on the common organization of the market in rice	Article 177 EEC
160/88 and 160/88R Fedesa and Others v Council ⁷	(i) Annulment of Council Directive 88/146/EEC prohibiting the use in livestock farming of certain substances having a hormonal action (ii) Suspension of the application of the Directive, or interim measures under Article 186 of the Treaty	Article 173 EEC Article 174 EEC
167/88 Association Générale des Producteurs de Blé et Autres Céréales v ONIC ⁴	Interpretation and validity of Council Regulation No 2727/75 on the common organization of the market in cereals, Council Regulation No 1146/76 on particular and special intervention measures for cereals, Commission Regulation No 1629/77 laying down detailed rules of application for special intervention measures to support the development of the market in common wheat of bread-making quality, and Commission Regulation No 400/86 on the application of a special intervention measure for common wheat of bread-making quality	Article 177 EEC
External relations		
142/88 Hoesch and Germany v Bergrohr ⁵	Seeking interpretation of Council Regulation No 60/85 on the restriction of exports of steel pipes and tubes to the United States of America	Article 177 EEC
Third-party proceedings		
147/86 TP-I Panhellenic Federation of Proprietors of Foreign-language Schools ('frontistiria') and Others v Commission and Greece	Seeking to change the judgment in Case 147/86 <i>Commission v Greece</i> , which held that in its legislation governing the teaching of foreign languages and other subjects by private schools ('frontistiria') Greece had failed to fulfil its obligations under Community law	
147/86 TP-II Panhellenic Association of Proprietors of Foreign-language Schools ('frontistiria') and Trechas v Commission and Greece	Seeking to change the judgment in Case 147/86 <i>Commission v Greece</i> , which held that in its legislation governing the teaching of foreign languages and other subjects by private schools ('frontistiria') Greece had failed to fulfil its obligations under Community law	
147/86 TP-III Panhellenic Association of Proprietors of Private Vocational and Technical Schools and of Maritime Educational Units v Commission and Greece	Seeking to change the judgment in Case 147/86 <i>Commission v Greece</i> , which held that in its legislation governing the teaching of foreign languages and other subjects by private schools ('frontistiria') Greece had failed to fulfil its obligations under Community law	

Case	Subject	Basis
Infringements 158/88 Commission v Ireland ⁶	Seeking a declaration that by limiting the exemption from turnover tax and excise duty on imports in international travel to an amount below the amount stipulated in Articles 1, 2 and 4 of Council Directive 69/169/EEC Ireland has failed to fulfil its obligations under the Treaty	Article 169 EEC
Protocol on the Privileges and Immunities of the Communities 1/88 SA Société General de Banque ⁴	Seeking authorization to serve a garnishee order on the Commission for payment of a sum of BFR 123 781 994 owed by the Belgian State to the Société Générale de Banque	

Disputes between the Community and its staff

v Commission:

172/88 Nijman

¹ OJ C 161, 21.6.1988.
² OJ C 176, 5.7.1988.
³ OJ C 156, 15.6.1988.
⁴ OJ C 179, 8.7.1988.
⁵ OJ C 169, 28.6.1988.
⁶ OJ C 171, 30.6.1988.
⁷ OJ C 184, 14.7.1988.

2.4.34. Judgments

Date and Case	Held
ECSC — Steel 21.6.1988: 32, 52 and 57/87 — ISA and Others v Commission ¹	1. Commission Decision No 3746/86/ECSC is declared void in so far as it concerns categories of products covered by the proposal submitted by the Commission to the Council on 2 October 1986 to exclude certain products from the quota system 2. The applications in Cases 52/87 and 57/87 are dismissed as unfounded
Free movement of goods 30.6.1988: 35/87 — Thetford and Another v Fiamma and Others	1. In the present state of Community law, Article 36 of the EEC Treaty does not preclude the application of a Member State's legislation on patents which provides that a patent granted for an invention may not be declared void by

Date and Case	Held
	<p>reason only of the fact that the invention in question appears in a patent specification filed more than 50 years previously</p> <p>2. Where national law normally provides for an injunction to prevent any infringement, that measure is justified under Article 36</p>
<p>Customs union</p>	
<p>21.6.1988: 253/87 — Sportex v Oberfinanzdirektion Hamburg¹</p>	<p>The Common Customs Tariff must be interpreted as meaning that semi-finished products in sheet form, composed of epoxy-resin, carbon-fibre and glass-fibre mesh, and intended for the manufacture of tubing, are to be regarded as artificial resins and plastic materials and, as such, fall within heading No 39.01 of the Common Customs Tariff</p>
<p>Taxation</p>	
<p>21.6.1988: 10/87 — R. v Commissioners of Customs and Excise, <i>ex parte</i> Tattersalls¹</p>	<p>Articles 10(c) and 11(b) of the 17th VAT Directive, Council Directive 85/362/EEC, must be interpreted as meaning that temporary importation exemption must be granted for goods the purchase of which in the Member State of exportation is lawfully exempted from value-added tax, provided that the exemption was not granted by virtue of the exportation of the goods in question</p>
<p>22.6.1988: 59/88 — Crespin v Direction Générale des Impôts</p>	<p>Removed from the Court Register (seeking interpretation of Article 33 of the Sixth VAT Directive, Council Directive 77/388/EEC)</p>
<p>29.6.1988: 240/87 — Deville v Administration des Impôts</p>	<p>A national legislature may not adopt any procedural rule, subsequent to a judgment of the Court from which it follows that a particular piece of legislation is incompatible with the Treaty, which specifically reduces the possibilities of bringing proceedings for recovery of taxes which were wrongly levied under that legislation. It is for the national court to consider whether the procedural rule at issue reduces the possibilities of bringing proceedings for recovery which would otherwise have been available</p>
<p>Competition</p>	
<p>8.6.1988: 373/87 — Sacem v La Croisette</p>	<p>Removed from the Court Register (seeking interpretation of Articles 85 and 86 of the EEC Treaty)</p>

Date and Case	Held
<p>State aid</p> <p>7.6.1988: 57/86 — Greece v Commission²</p> <p>7.6.1988: 63/87 — Commission v Greece³</p>	<p>The application is dismissed</p> <p>By failing to comply within the prescribed period with Commission Decision 86/187/EEC on aid granted by Greece in respect of exports on all products with the exception of petroleum products, Greece has failed to fulfil its obligations under the EEC Treaty</p>
<p>Social policy</p> <p>15.6.1988: 101/87 — P. Bork International (in liquidation) and Others v Foreningen af Arbejdsledere i Danmark and Junckers Industrier⁴</p>	<p>Article 1(1) of Council Directive 77/187/EEC must be interpreted as meaning that the Directive applies to a situation in which, after he has given notice terminating a lease or after forfeiture thereof, the owner of the undertaking retakes possession of the undertaking and thereafter sells it to a third party who shortly afterwards brings it back into operation, which had ceased upon termination of the lease, with a little over one-half of the staff that was employed in the undertaking by the former lessee, provided that the undertaking in question retains its identity</p>
<p>Social security</p> <p>7.6.1988: 20/85 — Roviello v Landesversicherungsanstalt Schwaben²</p> <p>29.6.1988: 58/87 — Rebmann v Bundesversicherungsanstalt für Angestellte</p>	<p>Point 15 of Section C in Annex VI to Regulation No 1408/71 is invalid in so far as it provides, in regard to the entitlement to a pension in respect of occupational invalidity or incapacity for work, or a miner's pension in respect of a reduction in his capacity to work as a miner, or a miner's pension in respect of occupational invalidity or incapacity for work that, where under German legislation account must be taken of the occupation hitherto pursued by the person concerned, that entitlement is to be determined by taking account only of insurable activities under German legislation</p> <p>Council Regulation No 1408/71 on the application of social security schemes to employed persons and their families moving within the Community, as amended, must be interpreted as meaning that periods of full unemployment of a frontier worker who, under Article 71(1) (a) (ii) of the said Regulation, received unemployment benefit in accordance with the legislation of the Member State on whose territory he resided must be taken into consideration in determining pension rights under the legislation of the Member State in which he worked immediately before becoming unemployed</p>

Date and Case	Held
<p>Free movement of workers</p> <p>21.6.1988: 39/86 — <i>Lair v Universität Hannover</i>¹</p>	<ol style="list-style-type: none"> 1. At the present stage of development of Community law the first paragraph of Article 7 of the EEC Treaty applies to a grant for maintenance and for training awarded by a Member State to its nationals with a view to the pursuit of university studies only to the extent to which that assistance is intended to cover registration or other fees, in particular tuition fees charged for access to education 2. A grant for maintenance and for training awarded with a view to the pursuit of university studies leading to a professional qualification constitutes a social advantage within the meaning of Article 7(2) of Council Regulation No 1612/68 on freedom of movement for workers within the Community 3. A national of another Member State who has undertaken university studies in the host State leading to a professional qualification, after having engaged in an occupation in that State, must be regarded as having retained his status as a worker, being entitled, as such, to the benefit of Article 7(2) of Regulation No 1612/68, provided that there is a link between the previous occupation and the studies in question 4. Entitlement to the same social advantages, within the meaning of Article 7(2) of Regulation No 1612/68, cannot be made subject to the condition, imposed by the host Member State, of prior completion of a minimum period of employment within the territory of that State
<p>21.6.1988: 197/86 — <i>Brown v Secretary of State for Scotland</i>¹</p>	<ol style="list-style-type: none"> 1. University studies which prepare for a qualification for a particular profession, trade or employment or which provide the necessary training and skills for such a profession, trade or employment constitute vocational training. Universities are not to be regarded as 'vocational schools' within the meaning of Article 7(3) of Council Regulation No 1612/68 on freedom of movement for workers within the Community 2. The payment by a Member State to or on behalf of students of tuition fees charged by a university falls within the scope of the EEC Treaty for the purposes of Article 7 thereof, but the payment of grants for students' maintenance does not 3. A national of another Member State who enters into an employment relationship in the host State for a period of eight months with a view to subsequently undertaking university studies there in the same field of activity and who would not have been employed by his employer if

Date and Case	Held
	<p>he had not already been accepted for admission to university is to be regarded as a worker within the meaning of Article 7(2) of Regulation No 1612/68</p> <p>4. A worker who is a national of another Member State and who entered into an employment relationship for a period of eight months with a view to subsequently undertaking studies in the host State in the same field of activity and who would not have been employed by his employer if he had not already been accepted for admission to university is not entitled, under Article 7(2) of Regulation No 1612/68, to receive for the purposes of his studies an allowance payable to students who are nationals of the host State in respect of their maintenance</p> <p>5. A child of a national of one Member State who resides in the territory of another Member State may not claim the benefit of Article 12 of Regulation No 1612/68 where his parent, who no longer resides in the host State, last resided there as a worker before the birth of the child</p>
<p>Agriculture</p>	
<p>8.6.1988: 260/87 — United Kingdom v Commission</p>	<p>Removed from the Court Register</p>
	<p>(seeking annulment of the decision on the clearance of accounts for 1983)</p>
<p>8.6.1988: 242/88 — Ireland v Commission</p>	<p>There is no need to give judgment in this case</p>
<p>10.6.1988: 152/88R — Sofrimport v Commission⁵</p>	<p>The operation of Commission Regulations No 962/88, No 984/88 and No 1040/88 is suspended with respect to 89 514 cartons of dessert apples originating in Chile, shipped by Sofrimport from San Antonio on 31 March 1988 and presently stored in transit in the port of Marseilles by that undertaking pending the issue of an import licence by the French national authorities</p>
<p>14.6.1988: 29/87 — Dansk Denkvit v Landbrugsmi- nisteriet⁴</p>	<p>1. Council Directive 70/524/EEC, as amended up to the adoption of Council Directive 84/587/EEC, provides for harmonization which precludes Member States from relying on Article 36 of the Treaty in order to impose, on the importation from other Member States of feedingstuffs containing additives, national measures intended to ensure the identification and the purity of the additives in question</p> <p>2. Article 30 of the Treaty must be interpreted as meaning that a national measure which subjects the importation of feedingstuffs containing additives to prior authorization constitutes a measure having an effect equivalent to quantitative restrictions on imports within the meaning of Article 30 of the Treaty</p>

Date and Case	Held
<p>29.6.1988: 300/86 — Van Landschoot v Mera</p>	<p>3. Directive 70/524/EEC, as amended up to the adoption of Directive 84/587/EEC, did not provide, in the sector of feedingstuffs containing additives, for harmonization of such a nature as to deprive Member States of the power to have recourse to Article 36 of the Treaty in regard to the adoption of measures of health control in relation to the traders concerned</p> <p>4. An annual levy charged in like manner on importers and national producers of feedingstuffs containing additives and intended to cover the costs incurred by the State in checking samples taken pursuant to Directive 70/524/EEC is compatible with Articles 9 and 95 of the Treaty and the provisions of Directive 70/524/EEC</p> <p>1. The second subparagraph of Article 1(2) of Commission Regulation No 2040/86, as amended by Commission Regulation No 2572/86, is invalid in so far as it exempts from the co-responsibility levy the first-stage processing of cereals carried out on the farmer's own agricultural holding, by means of the machinery of the farm, where the products of the processing are used on the holding, but does not provide for such exemptions for first-stage processing carried out outside the farmer's agricultural holding or by means of equipment which is not part of the agricultural installations of the farm, where the products of the processing are used on the holding</p> <p>2. It is for the Community legislature to draw the consequences of this judgment by adopting the appropriate measures to establish equality among traders as regards the exemption rules at issue</p> <p>3. In the meantime, the competent authorities must continue to apply the exemption laid down in the provision at issue, while extending the benefit of that exemption to operators affected by the discrimination which has been found to exist</p>
<p>Institutions</p>	
<p>28.6.1988: 7/87 — Commission v Council</p>	<p>1. Council Regulation No 3619/86 is declared void</p> <p>2. The aforesaid Regulation shall continue to have effect until such time as the Council shall have adopted the measures which it is required to take in order to comply with this judgment</p>
<p>30.6.1988: 297/86, CIDA, d'Elia and Marchesi v Council</p>	<p>1. The application of the Confederazione Italiana Dirigenti di Azienda is dismissed as inadmissible</p>

Date and Case	Held
Infringements	2. The applications of Dr d'Elia and Dr Marchesi are dismissed as unfounded
8.6.1988: 303/86 — Commission v France	Removed from the Court Register (failure to take national measures for the transfer of officials' pension rights)
8.6.1988: 319/87 — Commission v Belgium	Removed from the Court Register (failure to incorporate into national law Commission Directive 84/319/EEC on trichinae)
9.6.1988: 56/87 — Commission v Italy ³	By adopting the new method for fixing the prices of pharmaceutical products laid down in the decision of the Interministerial Committee for Prices of 24 October 1984 and in the decision of the Interministerial Committee for Economic Planning of 11 October 1984, Italy has failed to fulfil its obligations under Article 30 of the EEC Treaty
14.6.1988: 299/87 — Commission v Ireland	Removed from the Court Register (failure to incorporate into national law Council Directive 83/416/EEC concerning the authorization of scheduled inter-regional air services for the transport of passengers, mail and cargo between Member States)
21.6.1988: 415/85 — Commission v Ireland ⁵	1. By continuing to apply a zero rate of value-added tax to supplies of electricity included in item (xx) (a) of the Finance Act 1985, in so far as it is not supplied to final consumers, Ireland has contravened the provisions of the Sixth VAT Directive, Council Directive 77/388/EEC and has therefore failed to fulfil its obligation under the EEC Treaty
21.6.1988: 257/86 — Commission v Italy ⁵	2. For the rest, the application is dismissed By adopting and maintaining in force legislation under which exemption from value-added tax is not granted in respect of all imports of free samples of low value and which lacks clarity and precision with regard to the exemption of certain imports of such samples, and by providing for exemption for similar samples produced in Italy, Italy has failed to fulfil its obligations under Article 95 of the Treaty and under Article 14 of the Sixth VAT Directive, Council Directive 77/388/EEC
21.6.1988: 283/85 — Commission v Belgium ⁵	By failing to adopt within the prescribed period the provisions necessary to comply with Council Directive 82/470/EEC Belgium has failed to fulfil its obligations under the EEC Treaty
21.6.1988: 127/87 — Commission v Greece ¹	By imposing maximum prices on imports of sheepmeat and goatmeat and of live sheep and

Date and Case	Held
21.6.1988: 416/85 — Commission v United Kingdom ⁵	<p>goats and systematically checking that those prices are complied with, Greece has failed to fulfil its obligations under Articles 30 and 113 of the EEC Treaty and under Council Regulation No 1837/80 on the common organization of the market in sheepmeat and goatmeat, Commission Regulations No 19/82 laying down detailed rules for applying Council Regulation No 2641/80 with regard to imports of sheepmeat and goatmeat products originating in certain non-member countries and No 20/82 on special detailed rules for applying the system of import and export licences for sheepmeat and goatmeat and agreements in the form of exchanges of letters between the European Economic Community and certain non-member countries on trade in the sheepmeat and goatmeat sector</p> <p>1. By continuing to apply a zero rate of value-added tax</p> <p>to supplies to industry of water and sewerage services (emptying of cesspools and septic tanks) included in Group 2 of Schedule 5 to the Value-Added Tax Act 1983, in so far as they are not supplied to final consumers,</p> <p>to news services included in Group 6, in so far as they are not provided to final consumers,</p> <p>to supplies of fuel and power included in Group 7 and to protective boots and helmets included in Group 17, in so far as they are not supplied to final consumers,</p> <p>to the provision of goods and services included in Group 8 in relation to the construction of industrial and commercial buildings and to community and civil engineering works, in so far as they are not provided to final consumers,</p> <p>the United Kingdom has contravened the provisions of the Sixth VAT Directive, Council Directive 77/388/EEC, and has therefore failed to fulfil its obligations under the EEC Treaty</p> <p>2. For the rest, the application is dismissed</p>
22.6.1988: 148/86 — Commission v Germany	<p>Removed from the Court Register (ban on agar-agar in preserved meat)</p>
28.6.1988: 3/86 — Commission v Italy	<p>By fixing in relation to value-added tax under the flat-rate scheme for farmers the flat-rate compensation percentages at 15% and then 14% for the beef, pigmeat and unconcentrated and unsugared fresh milk sectors from 1981 and 1983 respectively and by providing that flat-rate compensation percentages should apply to supplies and services intended for flat-rate farmers, Italy has failed to fulfil its obligations under the Treaty and Article 25(3), (5) and (8) of the Sixth VAT Directive, Council Directive 77/388/EEC</p>

Date and Case	Held
30.6.1988: 318/86 — Commission v France	<p>1. France, by retaining in force systems of separate recruitment according to sex, contrary to the requirements of Council Directive 76/207/EEC on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions, for appointment to the management staff, the technical staff and the vocational training staff in the external departments of the prison service, and all of the five corps in the national police force, has failed to fulfil its obligations under the Treaty</p> <p>2. The remainder of the application is dismissed</p>
30.6.1988: 226/87 — Commission v Greece	<p>By failing, within the prescribed period, to take the measures necessary to comply with Commission Decision 85/276/EEC concerning the insurance in Greece of public property and loans granted by Greek State-owned banks Greece has failed to fulfil its obligations under the EEC Treaty</p>
Miscellaneous	
14.6.1988: 73/88 — Scrivner and Scrivner	The application for legal aid is dismissed

Disputes between the Community and its staff

v Commission:

- 14.6.1988: 12/87 — Zeyen (née Heyl)⁴ — The Commission decision of 25 March 1986 requiring the applicant to resign is annulled. The remainder of the application is dismissed as inadmissible
- 14.6.1988: 47/87 — Lucas⁶ — The application is dismissed
- 16.6.1988: 371/87 — Progoulis — The application is dismissed as inadmissible
- 16.6.1988: 372/87 — Progoulis — The application is dismissed as inadmissible
- 21.6.1988: 148/88R — Albani and Others — The application for interim measures is dismissed (seeking suspension of competition COM/A/482 and of the drawing up or publication of a list of suitable candidates following that competition)
- 29.6.1988: 124/87 — Gritzmann-Martignoni — The Commission's decision contained in its memorandum of 20 May 1986 rejecting the applicant's request for the transfer to the Community pension scheme of the actuarial equivalent of her pension rights under national law is declared void

v Court of Justice:

- 14.6.1988: 33/87 — Christianos⁴ — The application is dismissed

v Court of Auditors:

- 8.6.1988: 135/87 — Vlachou² — The application is dismissed
- 14.6.1988: 161/87 — Muysers and Tulp⁷ — The application is dismissed as inadmissible

¹ OJ C 193, 22.7.1988.
² OJ C 171, 30.6.1988.
³ OJ C 176, 5.7.1988.
⁴ OJ C 180, 9.7.1988.
⁵ OJ C 190, 19.7.1988
⁶ OJ C 179, 8.7.1988
⁷ OJ C 184, 14.7.1988.

Court of Auditors

2.4.35. On 1 June the Court of Auditors adopted an opinion¹ on a proposal for a Regulation² amending Regulation No 729/70 of 21 April 1970 on the financing of the common agricultural policy,³ as amended by Regulation No 3183/87 of 19 October 1987 introducing special rules for the financing of the common agricultural policy.⁴

2.4.36. On 16 June it adopted an opinion on a proposal for a Council Regulation on the definitive uniform arrangements for the collection of VAT own resources.⁵

2.4.37. By letter dated 22 June it informed the President of the Council of its position, reached following a consultation, on a proposal for a Council Decision concerning budgetary discipline.⁶

Economic and Social Committee

256th plenary session

2.4.38. The Economic and Social Committee held its 256th plenary session in Brussels from 1 to 3 June with Mr Margot in the chair.⁷ The session was attended by Mr Sutherland and Mr Schmidhuber, the Members of the Commission responsible for competition and economic affairs respectively. The first day was devoted to a formal sitting to celebrate the Committee's 30th anniversary. Speeches were made by Mr Margot, Chairman of the Committee, Lord Plumb, President of the European Parliament, Mr Töpfer, President of the Council, and Mr Delors, President of the Commission. Before the sitting, the Cecchini report on the 'Challenge of 1992'⁸ was presented by its author.

The economic situation in the Community (mid-1988)

2.4.39. The Committee adopted by a large majority (two votes against) an own-initiat-

ive opinion on the economic situation in the Community in mid-1988.

The Committee felt first of all that the priority for Member States' economic policies should be coordinated action to free the European economy from the uncertainties which had affected it the past year, the object being to increase the growth rate, restore stability in relations between the main currency areas and make significant progress towards correcting international disequilibria.

It then presented a list of short-term priority measures: stimulation of internal demand, selection of investments, a stronger EMS and a bigger role for the ECU.

Finally, the Committee stressed the complementarity between economic and social policies and in this connection referred to the opinion drawn up on the analysis of the social situation (→ point 2.4.44).

Industrial products

2.4.40. The Committee adopted *nem. con.* with one abstention an opinion on the proposal for a Directive⁹ amending for the ninth time the Directive of 27 July 1976 on the approximation of the laws, regulations and administrative provisions of the Member States relating to restrictions on the marketing and use of certain dangerous substances and preparations.¹⁰

The Committee approved this amendment which is mainly concerned with pentachlorophenol.

Foodstuffs

2.4.41. The Committee unanimously adopted an opinion on the amended pro-

¹ OJ C 166, 25.6.1988.

² OJ C 152, 10.6.1988; Bull. EC 4-1988, point 2.1.164.

³ OJ L 94, 28.4.1970.

⁴ OJ L 304, 27.10.1987; Bull. EC 10-1987, point 2.1.169.

⁵ Bull. EC 3-1988, point 2.3.5.

⁶ OJ C 146, 3.6.1988; Bull. EC 4-1988, point 2.3.7.

⁷ Previous session: Bull. EC 4-1988, point 2.4.45 *et seq.*

⁸ Previous session: Bull. EC 3-1988, point 1.4.1 *et seq.*

⁹ OJ C 117, 4.5.1988; Bull. EC 4-1988, point 2.1.15.

¹⁰ OJ L 262, 27.9.1976.

posal for a Directive¹ amending for the eighth time the Directive of 23 October 1962 on the approximation of the rules of the Member States concerning the colouring matters authorized for use in foodstuffs intended for human consumption.²

It strongly urged that an updated version of the basic Directive should be produced, with all the amendments contained in a single document to avoid confusion.

Pharmaceutical products

2.4.42. The Committee unanimously adopted a favourable opinion on four proposals for Directives³ on the approximation of provisions laid down by law, regulation or administrative action relating to certain medicinal products not yet covered by the Council Directives of 26 January 1965⁴ and 20 May 1975⁵ on proprietary pharmaceutical products. However, the Committee made a number of comments: it drew attention in particular to the importance of the economic and financial aspects—particularly with regard to medicines as yet excluded: homeopathic products or non-industrial products—and to the need for specific consumer protection with regard to clinical trials. It also called on the Commission to draw up rules to ensure that the patient is properly informed.

Merger control

2.4.43. The Committee adopted *nem. con.* with two abstentions an opinion on the amended proposal for a merger control Regulation.⁶

The Committee welcomed this proposal; it insisted on the urgent need to harmonize competition legislation with legislation in other fields—such as regional policy, structural policy, research or consumer policy—and reiterated the need for rules to control certain mergers. In this respect it considered it essential to take into account the established rights of workers and those of minority shareholders and creditors. The Committee also deplored the absence of a satis-

factory solution to the problem of the demarcation between Community law and national law. It felt that it was necessary to define in specific terms the new basis for Commission action on mergers, namely when these entailed ‘a substantial change in the competitive structure’ of the market. The Committee also made a number of comments on the various provisions of the proposal.

Social developments in the Community in 1987

2.4.44. The Committee adopted by a large majority (two votes against) an opinion on social developments in the Community in 1987. It noted that the main Community initiatives in social policy taken in 1987 had still not produced concrete results: there was still a high rate of unemployment, poverty was on the increase and new forms of marginalization were appearing. It therefore insisted on the need for European governments to delegate to the Community institutions the political power and appropriate instruments to have a real influence on the current trends.

The Committee felt that, in the context of strengthening economic and social cohesion, the Community institutions would need to use their initiative in support of the social dialogue to define common minimum rights; for establishing these rights it was felt that the ageing of the European population constitutes a ‘positive’ factor! The Committee also drew up a catalogue of rights which should go with and be guaranteed by European citizenship.

The Committee produced an own-initiative opinion on the economic aspects (→ point 2.4.39).

¹ OJ C 111, 28.4.1988; Bull. EC 4-1988, point 2.1.22.

² OJ 115, 11.11.1962.

³ OJ C 36, 8.2.1988; Bull. EC 12-1987, point 2.1.18.

⁴ OJ 22, 9.2.1965.

⁵ OJ L 147, 9.6.1975.

⁶ OJ C 130, 19.5.1988; Bull. EC 3-1988, point 2.1.59.

Health and safety at work

2.4.45. The Committee adopted by 94 votes to 8 with 15 abstentions an opinion on the proposal for a Directive on the protection of workers from the risks related to exposure to carcinogens at work.¹ It welcomed the proposal, but drew up a list of its inadequacies regarding the protection of the health of workers, and made comments and proposals for improvements.

Industrial development programme

2.4.46. The Committee unanimously adopted an opinion on the proposal for a Regulation on financial support for Portugal for a specific industrial development programme (Pedip).² It approved the four priority areas of the programme, underlining the importance of aspects such as the development of telecommunications, technological innovation and industrial quality.

Air pollution

2.4.47. The Committee adopted by 86 votes to 10 with 11 abstentions an opinion on a proposal for an amendment³ of the Council Directive of 20 March 1970 on the approximation of the laws of Member States relating to measures to be taken against air pollution by gases from the engines of motor vehicles (European emission standard for cars with an engine capacity of less than 1.4 litres).⁴ The Committee approved this proposal but felt that it could have been more ambitious as some European countries were already applying stricter standards.

Control of chemical substances

2.4.48. The Committee unanimously adopted an opinion on the proposals for a Decision and Regulation⁵ concluding and implementing the Vienna Convention for the Protection of the Ozone Layer⁶ and the Montreal Protocol on Substances that Deplete the Ozone Layer.⁷

The Committee approved the Commission's proposal that the Community and its Member States sign and ratify the Vienna Convention and the Montreal Protocol as soon as possible, if they have not done so already, and it proposed a renegotiation of the Montreal Protocol with a view to a faster cutback in the production of chlorofluorocarbons (CFCs). It also called on the Commission, in cooperation with the Member States and the chemical industry, to search for a way to speed up research into substitutes, and to present proposals which would shorten the length of time envisaged for the progressive reduction of CFCs.

Industrial hazards

2.4.49. The Committee unanimously adopted an opinion on the proposal for a Directive⁸ amending for the second time the Directive of 24 June 1982 on the major-accident hazards of certain industrial activities ('Seveso' Directive).⁹

This proposal, designed to strengthen and widen the scope of the Seveso Directive, was approved by the Committee. However, it felt that an *ad hoc* Directive would make the text clearer and promote better understanding of the measures concerning 'isolated storage' (outside an industrial plant). Finally, it recognized the importance of providing the public with the fullest information on the major-accident hazards to which it might be exposed and of indicating the emergency measures to be taken.

Veterinary and zoological legislation

2.4.50. The Committee adopted by 92 votes to 8 an additional opinion¹⁰ on the

¹ OJ C 34, 8.2.1988; Bull. EC 12-1987, point 2.1.153.

² OJ C 120, 7.5.1988; Bull. EC 3-1988, point 2.1.115.

³ OJ C 56, 27.2.1988; Bull. EC 2-1988, point 2.1.103.

⁴ OJ L 76, 1970; OJ L 81, 11.4.1970.

⁵ Bull. EC 2-1988, point 2.1.104.

⁶ Bull. EC 3-1985, point 2.1.73.

⁷ Bull. EC 9-1987, point 2.1.114.

⁸ OJ C 119, 6.5.1988; Bull. EC 3-1988, point 2.1.124.

⁹ OJ L 230, 5.8.1982; Bull. EC 6-1982, point 2.1.92.

¹⁰ OJ C 134, 24.5.1988; Bull. EC 3-1988, point 2.4.37.

proposal for a Regulation laying down health conditions for the marketing of fish and fish products concerning nematodes.¹ Although the Committee generally endorsed the health protection requirements proposed by the Commission, it could not approve the Commission's proposal in its present form as it considered it defective in some areas. The Committee felt especially that the proposal should explicitly include imports from outside the Community and that it should state the type of nematodes concerned, specifying those which are dangerous to man.

Agricultural statistics

2.4.51. The Committee unanimously approved the proposal for a Decision on special support for the development of agricultural statistics in Ireland.²

Road transport

2.4.52. The Committee adopted by 103 votes to 14 with 9 abstentions a favourable opinion on the proposal for a Council Directive on the charging of transport infrastructure costs to heavy goods vehicles.³

The Committee approved the application of the principle of territoriality after 31 December 1992, which would make for the harmonization of competition conditions and the charging of infrastructure costs to the actual users.

However, the Committee reserved the right to voice its views on the form which the system of taxation could take, and underlined already the principles to be observed. It drew attention to the need to ensure the 'feasibility' of the taxation.

2.4.53. The Committee adopted by a large majority, with 2 votes against and 12 abstentions, an opinion on the proposal for a Directive⁴ amending the Directive of 19 December 1984 on the weights, dimensions and certain other technical characteristics of certain road vehicles.⁵ The Committee approved this amendment, which it found satisfactory on all counts, especially as

regards the cost of vehicles and the safety resulting from distribution of the load between the two axles.

2.4.54. The Committee adopted by a large majority, with four abstentions, an opinion on a proposal⁶ for amending the Regulations of 20 December 1985 on the harmonization of certain social legislation relating to road transport and on recording equipment in road transport,⁷ and a proposal for a Directive on standard checking procedures for the implementation of those two Regulations.⁷

As regards the amendment of the Regulations, the Committee felt that consideration of the problems related to interpretation of the technical provisions should be postponed until more experience had been gained in implementing these Regulations. It felt that with the present formulation of the proposal it was not possible to determine the scope.

With respect to the proposal for a Directive, the Committee approved the obligation on Member States to implement the instruments needed for uniform application of the social legislation, the importance of which was connected both with the safety of transport and with the liberalization of the transport market.

Lomé Convention

2.4.55. The Committee adopted by a large majority, with two votes against and four abstentions, an own-initiative opinion on the fourth Lomé Convention.

The Committee presented certain guidelines which it wished to see included in the brief which the Council would be assigning to the Commission in the coming weeks to enable it to negotiate on behalf of the Com-

¹ OJ C 66, 11.3.1988; Bull. EC 2-1988, point 2.1.136.

² OJ C 118, 5.5.1988; Bull. EC 4-1988, point 2.1.155.

³ OJ C 79, 26.3.1988; Bull. EC 12-1987, point 2.1.275.

⁴ Bull. EC 5-1988, point 2.1.186.

⁵ OJ L 2, 3.1.1985; Bull. EC 12-1984, point 2.1.200.

⁶ OJ C 116, 3.5.1988; Bull. EC 2-1988, point 2.1.160.

⁷ OJ L 370, 31.12.1985; Bull. EC 12-1985, point 2.1.214.

munity the next Convention between the Community and the ACP countries. In its requests for improvements to the operation of the next Convention in the light of experience already acquired, it placed particular emphasis on stimulation of the private sector by the creation of a suitable environment for businesses and on the optimum use of human resources in accordance with the principles and conventions of the International Labour Organization (ILO).

ECSC Consultative Committee

271st meeting

2.4.56. The ECSC Consultative Committee held an extraordinary meeting in Luxembourg on 1 June with Mr Laurens in the chair. The Committee was consulted, and gave its opinion,¹ under Article 19 ECSC on the adoption of a joint scheme for granting ECSC redeployment aid (Article 56) (→ point 2.1.137), on which it had held an initial discussion in April.² The Committee acknowledged that the Commission was determined to simplify the scheme and make it more transparent but it had a number of reservations, prompted mainly by its own desire to make sure that the position of the industries concerned did not deteriorate — as it might with an increase in the ECSC levy — and by its misgivings over the introduction of a 3 000 ECU ceiling on aid. The Committee therefore urged the Commission to continue with the current arrangements pending a final decision on the adjustments; it then endorsed the Commission's analysis of the market situation for iron and steel products.

272nd meeting

2.4.57. The ECSC Consultative Committee held an ordinary meeting in Luxembourg on 20 and 21 June with Mr Laurens in the chair. The Committee first heard a statement from the Commission on its activities under the ECSC Treaty. Mr Mosar, Member of the Commission with

special responsibility for energy policy, reported on work in connection with completion of the internal energy market and commented on the Council's endorsement of this work at its meeting on 9 June (→ point 2.1.270). He stressed the need for continuous monitoring of the Community coal market and tackled the sensitive matter of imported coal.

The Committee then held an initial exchange of views on the main findings of the review of Member States' energy policies³ and agreed to discuss the subject in more detail after its general debate on Community energy policy in the autumn. The next item was an exchange of views on the draft amendment to the 1988 ECSC budget (→ point 2.3.20). Here the Committee expressed definite reservations — concerning both the financing of the social aid planned by the Commission and the transfer of customs duties on ECSC products and raising of the ECSC levy — and adopted a resolution calling for the amount of customs duties transferred to be raised to an adequate level. The Committee was consulted under Articles 19 and 46 of the ECSC Treaty on the forward steel programme for the third quarter of 1988 (→ point 2.1.57), the general guidelines of which prompted little comment. Lastly, the Committee heard a statement by Mr Narjes, Vice-President of the Commission with special responsibility for industrial affairs, on the future of the steel quotas following the positions taken by the Commission (→ point 2.1.53), and on external aspects of the temporary measures and the Resider programme.⁴ In the ensuing debate the majority of speakers expressed reservations about discontinuing the quotas, particularly since the improvement in market conditions might prove short-lived. The Committee passed a resolution which called on the Commission to continue the quota system for products in categories II and III and to toughen the

¹ OJ C 172, 1.7.1988.

² Bull. EC 4-1988, point 2.4.67.

³ Bull. EC 3-1988, point 2.1.198.

⁴ OJ L 33, 5.2.1988; Bull. EC 2-1988, point 2.1.92.

measures applying to non-member countries.

European Investment Bank ¹

Operations in June 1988

2.4.58. Loans announced by the European Investment Bank in June for investments within the Community totalled 469.7 million ECU,² broken down as follows: 273.6 million ECU in Italy, 150 million ECU in the United Kingdom, 35.3 million ECU in France and 10.8 million ECU in Greece. Outside the COMMUNITY the Bank granted 14.95 million ECU from risk capital resources to three ACP States (Mali, Guinea and Zaire) and 25 million ECU to Tunisia, under the Financial Protocol between the Community and Tunisia.

Community

Italy

2.4.59. For investments in Italy the Bank lent LIT 419 billion, including some LIT 160 billion for infrastructure projects eligible for funding from the FIO (Fondo Investimenti e Occupazione). A loan of LIT 30 billion to Ferrovie dello Stato (FS) will go towards construction of a rail link between Maccaresse and the Rome railway junction at San Pietro. This new line will carry long-distance traffic between Rome and Genoa, thereby releasing the existing line for use as an express link between Rome and Fiumicino Airport. Under the heading of environmental protection, LIT 87 billion went to the Apulia Regional Authority for cleaning up the Gulf of Manfredonia and improving water supplies in Foggia province, while LIT 14 billion went to the Liguria Regional Authority for sewage treatment and disposal facilities designed to clean up the coastal waters around Savona.

A loan of LIT 10 billion went towards construction of a marina, as part of a plan to develop tourism in Pescara (Abruzzi). A further LIT 7 billion was granted to the

Istituto Nazionale di Fisica Nucleare to build and equip new research laboratories at Catania and Milan. LIT 7 billion also went to the Campania Regional Authority for enlargement of an interchange on the Naples motorway by-pass. The Liguria Regional Authority received a loan of LIT 5 billion for restoration of the Ducal Palace in Genoa, which is to be converted for use as a venue for conferences and cultural and tourist activities, while LIT 85 billion went to Autostrade SpA for further work on upgrading the Rome-Naples motorway, including widening from four to six lanes. The Bank also granted LIT 20 billion—the first instalment of a LIT 70 billion package—for reinstatement of infrastructure (roads, public buildings, water and sewage systems, landslip consolidation) in those parts of Abruzzi, Molise and Umbria damaged by the 1984 earthquakes. In the energy sector, LIT 92 billion was granted for investments helping to meet Community objectives, made up of LIT 25 billion for increasing the capacity of three natural gas storage reservoirs in Ferrara, Piacenza and Cremona provinces, LIT 32 billion for development of a natural gas deposit off Emilia-Romagna and LIT 35 billion for construction and extension of natural gas grids in Lombardy, Veneto and Piedmont.

Finally, in line with Community policy to support small businesses, a global loan of LIT 61 billion went to Isveimer (Istituto per lo Sviluppo Economico dell'Italia Meridionale) to help finance smaller-scale industrial and related service ventures in the Mezzogiorno.

United Kingdom

2.4.60. The Bank lent UKL 100 million for the construction of a new passenger ter-

¹ Further details can be obtained from the European Investment Bank, 100 boulevard Konrad Adenauer, L-2950, Luxembourg (tel. 4379-1).

² The conversion rates at 31 March 1988 used by the EIB in statistics for the second quarter of 1988 were 1 ECU = BFR 43.42, DKR 7.95, DM 2.07, DR 166.19, ESC 169.99, FF 7.04, HFL 2.33, IRL 0.78, LFR 43.42, LIT 1 539, PTA 138.44, UKL 0.67, USD 1.25.

minal at Stansted Airport (33 miles north of London). Due to come into service in 1991, the new terminal will have a capacity of 8 million passengers a year, and will relieve pressure on Heathrow and Gatwick Airports, thus improving air connections with the Community and the rest of the world. It forms the first phase of a plan to expand capacity at Stansted, which is destined to become London's third major airport, to 15 million passengers a year. The scheme is expected to create nearly 4 000 new jobs.

France

2.4.61. The Bank lent a total of FF 250 million for various projects in France. The Société lyonnaise de banque received FF 200 million in the form of two global loans (lines of credit) which will be onlent for small and medium-scale investments selected in agreement with the EIB: FF 150 million will be invested by local authorities and public bodies in the tourist and environment sectors throughout the area covered by the SLB (Burgundy, Auvergne, Rhône-Alpes, Franche-Comté, Languedoc and Provence-Alpes-Côte d'Azur) and FF 50 million will be onlent for small and medium-scale investment projects in industry and related services, and in tourism in the regions eligible for regional aid.

Under the heading of environmental protection, FF 50 million went to the Communauté urbaine de Lyon for construction of a new refuse incineration plant at Lyon Gerland. This will replace the existing plant—whose waste gas emissions are well over the authorized limits—and will have a capacity of 180 000 tonnes a year. It will be equipped with high-technology apparatus for the treatment of waste gases and waste water, and will satisfy the most recent national and Community environmental protection standards. The plant, which should be finished in summer 1989 and begin operating the following December, is costed at FF 270 million and should receive other loans from the EIB, which granted an initial loan of FF 25 million in 1987. Apart

from its beneficial effect on the environment in Lyons—France's second largest city—the new equipment will provide substantial energy savings through better recovery of steam, which will be used to produce electricity, supply district heating systems and heat a number of industrial plants in the area.

Greece

2.4.62. The Bank lent DR 1.8 billion to the Hellenic Railways Organization (OSE) for upgrading the Athens-Thessaloniki line, which constitutes the backbone of Greece's rail network. The loan will go towards laying a second track on the Inoi-Tithorea (95 km) and Domokos-Larissa (61 km) sections, and improving the grading and alignment of existing track, replacing 120 level crossings by bridges or underpasses and building a 600 m long viaduct plus two tunnels, 1 400 m and 1 100 m in length. The various operations are scheduled for completion by the end of 1991. Upgrading of the Athens-Thessaloniki line is the central feature of OSE's 15-year plan for modernizing Greece's rail network. This line, which currently comprises only single track over some 70% of its length, carries over 50% of the country's rail traffic. The reduction of the travelling time from 7h 45 to 3h 40, and improved safety conditions, will foster the growth of traffic, both within Greece and between Greece and the rest of the Community, via Yugoslavia. The scheme, which has also attracted grant aid from the Community budget, received an initial EIB loan of 18 million ECU in 1986. In addition, the Bank lent OSE 20 million ECU in 1980, under pre-accession financial cooperation, for improving signalling and telecommunications facilities on the same section of the network.

Outside the Community

Mediterranean countries

Tunisia

2.4.63. The Bank granted 25 million ECU for investment by small and medium-sized

firms in the industrial and tourist sectors in Tunisia. The funds, which went to two national development banks in the form of global loans, are the first to be made available under the third Financial Protocol between the EEC and Tunisia, which came into force in May this year.¹ The Banque de développement économique de la Tunisie (BDET) received 12 million ECU from the EIB's own resources, a 2% interest subsidy from Community budgetary resources to support small-scale projects in the industrial sector, in line with a government priority to develop private investment and promote labour-intensive small and medium-sized ventures. It was also granted 3 million ECU in risk capital, also drawn from budgetary resources, for acquiring equity participation in industrial ventures, with an emphasis on joint projects with partners from the European Community. BDET will use the funds either to subscribe to shares direct, or to help finance participation by Tunisian business interests in the capital of a productive enterprise. This is the Bank's first risk capital operation in the Mediterranean, a new feature in the latest 'third-generation' Financial Protocols negotiated by the Community with Maghreb and Mashreq countries. A further 10 million ECU, from the EIB's own resources and including an interest subsidy, went to the Banque nationale de développement du tourisme (BNDT), to develop tourism in areas other than the well-developed coastal resorts.

ACP States

Mali

2.4.64. The Bank lent 11 million ECU from risk capital resources for construction of a 220 km high-voltage power line in Mali to supply Ségou, the country's second largest town, and localities between Ségou and Bamako. The aid was advanced in the form of a conditional loan to the State, which will pass on the funds to Energie du Mali (EDM). The project, costed at a total of some 27 million ECU and scheduled for completion by the end of 1990, is being co-financed by Kreditanstalt für Wiederaufbau

(Germany), the Canadian International Development Agency and the World Bank; it forms part of a broad-based energy programme being coordinated by the World Bank.

Guinea

2.4.65. The Bank granted 3.55 million ECU to the State, in the form of two conditional loans from risk capital resources, for developing a granite quarry. The State will onlend the first loan (3 million ECU) to the Société des granits de Guinée (SGG), while the second (550 000 ECU) will enable it to acquire a percentage of shares in SGG, which will then be sold to private Guinean investors. The quarry, which will have an extraction capacity of 15 000 m³ a year in large blocks for export as well as producing crushed granite for the local market, is located in Maferinyah (south-east of Conakry). The SGG, responsible for granite quarries, is a Guinean company; most of its capital is held by French and Belgian developers, the State, private Guinean investors and the International Finance Corporation (IFC). The project will be co-financed by the IFC and the Deutsche Finanzierungsgesellschaft für Beteiligungen in Entwicklungsländern mbH.

Zaire

2.4.66. In the form of a conditional loan of 400 000 ECU, also from risk capital resources, the Bank financed a feasibility study relating to the construction of a new electricity line to supply the north of Kivu, one of the most rapidly developing areas in the country, from hydro-electric power stations.

New Management Committee

2.4.67. On a proposal from the Board of Directors, the EIB's Board of Governors reappointed Mr Ernst-Günther Bröder,

¹ Twenty-first General Report, point 789; Bull. EC 3-1987, point 2.2.14.

President, Mr Ross, Mr Izzo, Mr Prate and Mr Arnedo Orbañanos, Vice-Presidents, of the Management Committee. Two new Vice-Presidents were appointed: Mr Jørgensen, Permanent Secretary in the budget department, Danish Ministry of Finance, and a member of the Bank's Board of Directors since 1986, and Mr Meulemans, Director-General of the Treasury in the Belgian Ministry of Finance, and a member of the Board of Directors since 1976. These two new members of the Management Committee replace Mr Pais and Mr Whelan who

have been made honorary Vice-Presidents by the Board of Governors, in recognition of their services to the Bank. The members of the Management Committee are appointed for six years, and the President or, in his absence, one of the Vice-Presidents chairs the meetings of the Board of Directors. The governors appointed a new member to the EIB's Audit Committee, Mr Thanopoulos, Manager, Bank of Greece. Mr Hansen, Secretary-General to the Luxembourg Government, will chair the Audit Committee for one year.

5. Statistics

General

2.5.1. On 20 June the Commission sent the Council a proposal¹ for an amendment to the Directive of 28 July 1982 relating to the organization by the Member States of surveys on the earnings of permanent and seasonal workers employed in agriculture,² under which the Community would pay part of the 1988 survey costs.

2.5.2. On 16 June Parliament adopted a favourable opinion,³ subject to a number of technical amendments, on the proposal for a Directive on the harmonization of definitions of gross national product at market prices (GNPmp) and improvements to the basic statistics needed to estimate it.⁴

Data

2.5.3. According to the most recent estimates for 1987, the Community had a current-account surplus of approximately 35 billion ECU as against 52 billion ECU in 1986. This decrease is the result of a significant fall (of some 14 billion ECU) in the trade surplus from one year to the next.

The main factor responsible was a 16% drop in the Community surplus on trade in manufactured goods.

Worsening trade deficits in France (6 billion ECU), Spain (5 billion ECU) and Italy (4 billion ECU) had a substantial influence on the overall result, but the deterioration in the trade balances of the Netherlands, Portugal and the United Kingdom was also a cause for concern. There was, however, an encouraging improvement in the trade balances of Denmark (up 2 billion ECU) and Ireland (up 1 billion ECU). While the Federal Republic of Germany's trade surplus increased by 4 billion ECU in 1987, its current-account surplus fell slightly but still remained very high (39 billion ECU in 1987) as against 40 billion in 1986). Figures for the USA show a contraction in the deficit expressed in ECUs (139 billion in 1987 as against 144 billion in 1986) but an increase in the deficit expressed in dollars on account

¹ COM(88) 328 final.

² OJ L 247, 23.8.1982; Bull. EC 7/8-1982, point 2.1.127.

³ OJ C 187, 18.7.1988.

⁴ OJ C 137, 27.5.1988; Bull. EC 4-1988, point 2.5.1.

of the sharp depreciation of the dollar against the ECU.

Publications

2.5.4. In June the Statistical Office of the European Communities, in association with the World Bank, held a seminar on improving the statistical systems of the countries in sub-Saharan Africa, which reviewed the problems that exist in this area. The participants resolved to publish a journal (*Stateco international*) designed to provide a channel

of communication for both the French- and English-speaking economic statisticians concerned.

2.5.5. The 25th edition of *Basic statistics of the Community* has just been published.¹ It compares the most important statistical data for the Community with data from other European countries (Turkey, Norway, Switzerland and Finland) and the major world economic powers (USA, Canada, Japan and the USSR).

¹ Available from the Office for Official Publications of the European Communities, L-2985 Luxembourg.

PART THREE

DOCUMENTATION

1. ECU

Values in national currencies of one ECU

30 June 1988¹

Belgian franc and Luxembourg franc (convertible)	43.4814
Belgian franc and Luxembourg franc (financial)	43.7434
Danish krone	7.88578
German mark	2.07645
Greek drachma	166.202
Portuguese escudo	169.083
French franc	6.99838
Dutch guilder	2.34244
Irish pound	0.772935
Italian lira	1 539.79
Spanish peseta	137.723
Pound sterling	0.665976
United States dollar	1.13915
Swiss franc	1.71784
Swedish krona	7.13792
Norwegian krone	7.52239
Canadian dollar	1.38179
Austrian schilling	14.6165
Finnish mark	4.93424
Japanese yen	151.393
Australian dollar	1.44288
New Zealand dollar	1.68763

¹ OJ C 172, 1.7.1988.

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 1988	
National currency	Value in national currency of one ECU
Belgian franc and Luxembourg franc	47.3310 ¹
	48.0467 ²
	48.0658 ³
Danish krone	8.58163 ¹
	8.88697 ⁴
	8.75497 ⁵
German mark	2.38591 ⁶
	2.39792 ⁷
	2.36110 ⁸
	2.38516 ⁵
Greek drachma	134.328 ⁴
	137.262 ⁹
	150.275 ¹
	134.174 ^{7, 10, 11, 12}
	128.340 ^{13, 14}
	124.840 ⁵
Portuguese escudo	181.888 ^{1, 9}
	173.609 ¹⁵
	171.725 ^{5, 12}
French franc	7.47587 ^{3, 6, 12}
	7.69553 ⁸
	7.54539 ¹
	7.45826 ²
	7.43671 ¹¹
	7.73579 ⁴
Dutch guilder	2.67490 ⁶
	2.68801 ⁷
	2.64704 ⁸
	2.67387 ^{1, 5}
Irish pound	0.832119 ²
	0.831375 ³
	0.844177 ⁸
	0.843427 ⁴
	0.817756 ¹
Italian lira	1 629.00 ¹⁶
	1 674.00 ⁴
	1 554.00 ¹
	1 597.00 ^{7, 17}
	1 603.00 ¹¹
	1 613.00 ⁵

June 1988	
National currency	Value in national currency of one ECU
Spanish peseta	151.806 ¹
	155.786 ²
	154.213 ^{3, 11, 12}
	155.643 ⁴
Pound sterling	0.694266 ⁴
	0.710546 ⁸
	0.652575 ¹
	0.665557 ²
	0.656148 ³

- ¹ For sheepmeat and goatmeat.
- ² For other livestock products.
- ³ For crop products.
- ⁴ For pigmeat.
- ⁵ For other products
- ⁶ For milk and milk products.
- ⁷ For cereals.
- ⁸ For beef/veal
- ⁹ Amounts not related to the fixing of prices.
- ¹⁰ For sugar and tobacco.
- ¹¹ For wine.
- ¹² For olive oil.
- ¹³ For other crop products.
- ¹⁴ For eggs and poultrymeat.
- ¹⁵ For fishery products.
- ¹⁶ For fruit and vegetables and tobacco.
- ¹⁷ For 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 11-1987

Point 2.1.163

Commission Directive of 18 November 1987 adapting to technical progress for the ninth time Council Directive 67/548/EEC on the approximation of laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances

OJ L 133, 30.5.1988

Bull. EC 12-1987

Point 2.1.172

Commission Decision of 11 December 1987 approving an integrated Mediterranean programme for the Aegean Islands and for Attica

OJ L 140, 7.6.1988

Commission Decision of 11 December 1987 approving an integrated Mediterranean programme for central and eastern Greece

OJ L 143, 10.6.1988

Point 2.1.173

Commission Decision of 18 December 1987 approving an integrated Mediterranean programme for the Molise region

OJ L 160, 28.6.1988

Bull. EC 2-1988

Point 1.2.4

Proposal for a Council Directive on the introduction of measures to encourage improvements in the safety and health of workers at the workplace

OJ C 141, 30.5.1988

Point 1.2.5

Proposal for a Council Directive concerning the minimum safety and health requirements for the workplace

OJ C 141, 30.5.1988

Point 1.2.7

Proposal for a Council Directive concerning the minimum health and safety requirements for the use by workers of personal protective equipment

OJ C 161, 20.6.1988

Bull. EC 3-1988

Points 1.2.1 to 1.2.7

Commission proposals on the prices for agricultural products and on related matters (1988/89)

OJ C 139, 30.5.1988

Point 2.1.48

Amended proposal for a Council Decision adopting a plan to stimulate the international cooperation and interchange needed by European research scientists (Science) (1988 to 1992)

OJ C 145, 2.6.1988

Point 2.1.52

Amended proposal for a Council Decision on a Community action in the field of learning technology: Delta (Developing European learning through technological advance)

OJ C 146, 3.6.1988

Point 2.1.54

Amended proposal for a Council Decision on a Community programme in the field of road transport informatics: Drive (Dedicated road infrastructure for vehicle safety in Europe)

OJ C 146, 3.6.1988

Point 2.1.91

Amended proposal for a Council Directive on the obligations of branches established in a Member State by credit institutions and financial insti-

tutions having their head offices outside that Member State regarding the publication of annual accounting documents
OJ C 143, 1.6.1988

Point 2.1.105

Proposal for a Council Directive on the protection of workers from the risks related to exposure to biological agents at work
OJ C 150, 8.6.1988

Point 2.1.108

Amended proposal for a Council Regulation (EEC) on the tasks of the structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments
OJ C 151, 9.6.1988

Point 2.1.133

Report from the Commission on the system for the rapid exchange of information on dangers arising from the use of consumer products in accordance with Article 8(2) of Council Decision 84/133/EEC
OJ C 146, 3.6.1988

Point 2.3.5

Proposal for a Council Regulation (ECSC, EEC, Euratom) on the definitive uniform arrangements for the collection of VAT own resources
OJ C 128, 17.5.1988

Bull. EC 4-1988

Point 2.1.13

Proposal for a Council Directive on the approximation of the laws of the Member States relating to personal protective equipment
OJ C 141, 30.5.1988

Point 2.1.14

Re-examined proposal for a Council Directive amending Directive 74/150/EEC on the approximation of the laws of the Member States relating to the type-approval of wheeled agricultural or forestry tractors
OJ C 131, 20.5.1988

Bull. EC 6-1988

Point 2.1.20

Re-examined proposal for a Council Directive on the approximation of the laws of the Member States on extraction solvents used in the production of foodstuffs and food ingredients
OJ C 152, 10.6.1988

Point 2.1.21

Re-examined proposal for a Council Directive on the approximation of the laws of the Member States relating to flavourings for use in foodstuffs and to source materials for their production
OJ C 152, 10.6.1988

Point 2.1.40

Proposal for a Council Decision on the conclusion of the Cooperation Agreement between the European Economic Community and the Republic of Finland on research in the field of wood, including cork, as a renewable raw material
OJ C 153, 11.6.1988

Point 2.1.69

Draft Commission Regulation (EEC) on the application of Article 85(3) of the EEC Treaty to certain categories of agreements, decisions and concerted practices concerning joint planning and coordination of capacity, sharing of revenue and consultations on tariffs on scheduled air services and slot allocation at airports

Draft Commission Regulation (EEC) on the application of Article 85(3) to certain categories of agreements between undertakings relating to computer reservation systems for air transport services

Draft Commission Regulation (EEC) on the application of Article 85(3) of the Treaty to certain categories of agreements, decisions and concerted practices concerning ground handling services
OJ C 138, 28.5.1988

Point 2.1.121

Re-examined proposal for a Council Directive on the approximation of the laws of the Member States concerning the safety of toys
OJ C 131, 20.5.1988

Point 2.1.125

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

OJ C 155, 14.6.1988

Point 2.1.164

Proposal for a Council Regulation (EEC) amending Regulation (EEC) No 729/70 on the financing of the common agricultural policy

OJ C 152, 10.6.1988

Point 2.3.7

Proposal for a Council Decision concerning budgetary discipline

OJ C 146, 3.6.1988

Point 2.3.9

Decision and resolution of the European Parliament of 13 April 1988 granting a discharge to the Commission in respect of the implementation of the Community budget for the 1986 financial year

Decisions and Resolution of the European Parliament of 13 April 1988 granting a discharge to the Commission in respect of the financial management of the Third, Fourth, Fifth and Sixth European Development Funds for the 1986 financial year

OJ L 156, 23.6.1988

Point 2.3.11

Decisions of the European Parliament of 13 April 1988 on the discharge to be granted to the Administrative Boards of the European Centre for the Development of Vocational Training and of the European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of their appropriations for the 1986 financial year

OJ L 156, 23.6.1988

3. Infringement procedures

Initiation of proceedings for failure to implement directives

Letters of formal notice

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

Council Directive of 16 September 1985 concerning the coordination of provisions laid down by law, regulation or administrative action in respect of certain activities in the field of pharmacy¹ (Denmark, France, Germany, Italy, Netherlands).

Council Directive of 16 September 1985 concerning the mutual recognition of diplomas, certificates and other evidence of formal qualifications in pharmacy, including measures to facilitate the

effective exercise of the right of establishment relating to certain activities in the field of pharmacy¹ (Belgium, Denmark, Germany, Italy, Luxembourg).

Council Directive of 20 December 1985² amending, on account of the accession of Spain and Portugal, the Council Directive of 16 September 1985 concerning the mutual recognition of diplomas, certificates and other evidence of formal qualifications in pharmacy, including, measures to facilitate the effective exercise of the right of establishment relating to certain activities in the field of pharmacy³ (Belgium, Denmark, Germany, Italy, Luxembourg).

Environment and consumer protection

Council Directive of 17 September 1984⁴ on the approximation of the laws of the Member States

¹ OJ L 253, 24.9.1985.

² OJ L 372, 31.12.1985.

³ OJ L 253, 24.9.1985.

⁴ OJ L 300, 19.11.1984.

relating to the permissible sound power level of lawn mowers (Ireland, Netherlands).

Seventh Commission Directive of 24 June 1986¹ adapting to technical progress the Council Directive of 27 June 1967 on the approximation of laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances² (Denmark, France, Germany, Italy).

3.3.2. The Commission also sent a letter of formal notice for failure to comply with a judgment of the Court of Justice in respect of the following directive:

Council Directive of 12 June 1978 on statistical returns in respect of carriage of goods by road, as part of regional statistics³ (Italy).

Reasoned opinions

3.3.3. The Commission delivered reasoned opinions for failure to inform it of national measures to give effect to the following directives:

Transport

Council Directive of 4 October 1982 laying down technical requirements for inland waterway vessels⁴ (France).

Environment and consumer protection

Commission Directive of 22 July 1985⁵ adapting to technical progress the Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste⁶ (Ireland).

Council Directive of 12 June 1986⁷ amending the Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste⁶ (Ireland).

Commission Directive of 23 December 1986⁸ adapting to technical progress for the second time the Council Directive of 9 December on the supervision and control within the European Community of the transfrontier shipment of hazardous waste⁶ (Ireland).

Environment and consumer protection

Council Directive of 16 June 1975 concerning the quality required of surface water intended for the abstraction of drinking water in the Member States⁹ (France, Greece).

Council Directive of 9 October 1979 concerning the methods of measurement and frequencies of sampling and analysis of surface water intended for the abstraction of drinking water in the Member States¹⁰ (France, Greece).

Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste⁶ (Ireland).

¹ OJ L 247, 1.9.1986

² OJ 196, 16.8.1967.

³ OJ L 168, 26.6.1978.

⁴ OJ L 301, 28.10.1982.

⁵ OJ L 272, 12.10.1985.

⁶ OJ L 326, 13.12.1984.

⁷ OJ L 181, 4.7.1986.

⁸ OJ L 48, 12.2.1987.

⁹ OJ L 194, 25.7.1975.

¹⁰ OJ L 271, 29.10.1979.

4. Hanover European Council

Conclusions of the Presidency

3.4.1. At the end of the European Council in Hanover on 27 and 28 June, the Presidency presented the following conclusions:

Implementing the Single European Act

The European Council welcomes the constructive development of relations between the Community institutions in recent months and stresses the political importance of the interinstitutional agreement concluded between the Council, the Commission and the European Parliament.

It would appear necessary to associate the European Parliament more closely with the decisions of the Council at this stage of the full attainment of the internal market and the approach to European Union, not only in order to achieve a better institutional balance but also to enable Community decisions to be better understood by citizens of the Community.

1. Completion of the internal market

The European Council considers that this major objective set by the Single Act¹ has now reached the point where it is irreversible, a fact accepted by those engaged in economic and social life.

The outcome of the studies conducted to evaluate the benefits of the single market confirm that its achievement offers the Community considerable potential for growth and for an increase in employment.

The European Council notes that over one third of the measures programmed in the Commission's White Paper² have now been agreed. The Council considers it particularly encouraging that decisions have been taken or are under way in strategic areas such as: full liberalization of capital movements, the mutual recognition of diplomas, the opening up of public contracts, insurance matters and road and air transport. The European Council noted that this progress was made possible by the full use of the voting procedures in the Single European Act.

The European Council emphasizes that progress towards the realization of the single market must be made in a balanced way; it will discuss in depth at its meeting in Rhodes the report provided for in the Single Act on the progress made towards meeting the 31 December 1992 deadline. It notes that by the end of 1988 the Commission will have

submitted the bulk of the proposals provided for in its White Paper.

At its Brussels meeting in June 1987,³ the European Council agreed on a number of particularly important decisions to be taken in the course of the following 12 months. Those decisions have now been taken. The European Council has now agreed, in accordance with the schedule laid down in the White Paper, that decisions for the completion of the internal market should be taken as soon as possible, *inter alia* in the following fields: completion of the internal market in the areas of public contracts, banks and other financial services, the approximation of standards, and intellectual property.

The European Council agreed on the need to facilitate cooperation between enterprises throughout the Community and invites the Council to examine the Commission's memorandum on the European Company Statute and subsequent proposals to that effect (→ point 2.1.127).

As regards the extent to which harmonization in the area of taxation is necessary to ensure the establishment and functioning of the internal market in conformity with Article 99 of the Treaty, the European Council notes with satisfaction that the Council (Economics and Finance Ministers) is now engaged upon a serious examination of the Commission's proposals.

It also noted that the Commission would be reporting to the Council (Economics and Finance Ministers) on the problem encountered by Denmark regarding certain tax allowances.

In the context of the Directive on capital movements, the European Council stressed the importance of the decisions in the Council (Economics and Finance Ministers) on 13 June (→ point 2.1.8), that the Commission would transmit to that Council before 31 December 1988 proposals aimed at eliminating or attenuating risks of distortion, evasion and fiscal fraud linked to the diversity of national systems for the taxation of savings and for controlling the application of these systems; and that the Council (Economics and Finance Ministers) would take a position on these proposals before 30 June 1989, bearing in mind that any Community decision on fiscal matters must be adopted by unanimity.

The European Council considered the situation in the audiovisual media. It agreed that it is urgently important for the Community that European pro-

¹ OJ L 169, 29.6.1987; Supplement 2/86 — Bull. EC.

² Bull. EC 6-1985, point 1.3.1 *et seq.*

³ Bull. EC 6-1987, point 1.1.1 *et seq.*

duction of audiovisual programmes reflecting the richness and diversity of European culture should attain a level more in line with the broadcasting capacity in Europe. It calls on the Council (Cultural affairs) to pay special attention to this matter. It felt that urgent consideration should be given to the possibility of creating a project in the audiovisual sphere. Attention should also be paid to proper coordination with the activities of the Council of Europe.

The internal market should not close in on itself. In conformity with the provisions of GATT, the Community should be open to third countries, and must negotiate with those countries where necessary to ensure access to their markets for Community exports. It will seek to preserve the balance of advantages accorded, while respecting the unity and the identity of the internal market of the Community.

The European Council underlines the importance in the context of progress towards the single market of sustained economic growth, the pursuit of technological cooperation, and the successful implementation of the Single Act provisions on cohesion.

2. People's Europe

The European Council underlined the importance of removal of obstacles to the free movement of persons. It also emphasizes the need for intensifying and widening cooperation between national administrations in close collaboration with the Commission in order to ensure effective measures to combat terrorism, drug abuse, and organized crime.

3. Social aspects

The European Council stresses the importance of the social aspects of progress towards the 1992 objectives.

It notes that, by removing the obstacles to growth, the large single market offers the best prospect for promoting employment and increasing the general prosperity of the Community to the advantage of all its citizens.

The European Council considers that the internal market must be conceived in such a manner as to benefit all our people. To that end it is necessary, besides improving working conditions and the standard of living of wage earners, to provide better protection for the health and safety of workers at their workplace. It emphasizes that the measures to be taken will not diminish the level of protection already attained in the Member

States. It welcomes the initiatives already taken on the basis of provisions in the Treaty and in particular in Article 118a, and requests the Commission and the Council to continue in this direction.¹

The European Council considers that the achievement of the large market must go hand in hand with improved access to vocational training, including training linked with work, in all the Member States. In this connection it expressed the wish that the conditions be met for mutual recognition of qualifications. It emphasizes the importance of informing and consulting management and labour throughout the process of achieving the single market. With that in mind, the European Council requests the Commission to step up its dialogue with management and labour, paying special attention to the provisions of Article 118b of the Treaty. The Commission will make a comparative study about rules applied in the various Member States concerning working conditions.

4. Protection of the environment

The European Council expressed its concern about the danger to the environment in general and in particular that caused by the pollution of air and water. It noted the recent positive results of the work of the Council (Environment) and invited the Commission and the Council to intensify efforts to improve the means to combat and prevent air and water pollution. It welcomed the conclusions adopted at the Toronto World Economic Summit on 21 June (→ point 3.5.1). The concept that environmental considerations must be integrated into all areas of economic policy-making is in conformity with the environmental objective of the Single European Act. The European Council invited the Commission to prepare proposals for concrete measures to implement the Community's contribution to the international cooperation referred to in Toronto.

5. Monetary union

The European Council recalls that, in adopting the Single Act, the Member States confirmed the objective of progressive realization of economic and monetary union.

They therefore decided to examine at the European Council meeting in Madrid in June 1989 the means of achieving this union.

¹ Bull. EC 2-1988, point 1.2.1 *et seq.*

To that end they decided to entrust to a Committee the task of studying and proposing concrete stages leading towards this union.

The Committee will be chaired by Mr Jacques Delors, President of the European Commission.

The Heads of State or Government agreed to invite the Presidents or Governors of their Central Banks to take part in a personal capacity in the proceedings of the Committee, which will also include one other Member of the Commission and three personalities designated by common agreement by the Heads of State or Government. They have agreed to invite:

Mr Niels Thygesen, Professor of Economics, Copenhagen.

Mr Lamfalussy, Director-General of the Bank for International Settlements in Basle, Professor of Monetary Economics at the Catholic University of Louvain-la-Neuve.

Mr Miguel Boyer, President of Banco Exterior de España.

The Committee should have completed its proceedings in good time to enable the Ministers for Economic Affairs and for finance to examine its results before the European Council meeting in Madrid.

Presidency of the Commission

The European Council, after consultation of the President and the enlarged Bureau of the European Parliament, agreed to renew the mandate of Mr Jacques Delors as President of the Commission.

European political cooperation

1. East-West relations

The European Council noted that East-West relations had moved into a more dynamic phase. In this process the Twelve are determined to continue to play an active role. They welcomed the evidence of the Moscow Summit that a climate of increased confidence and cooperation has now been established in US-Soviet relations.

The Twelve are encouraged by the recent progress in arms control and disarmament. They stress their willingness to work for further progress in the current and future negotiations with a view to achieving stability at a lower level of arms. The principle of asymmetrical reductions and stringent verification provisions laid down in the INF Treaty establishes a valuable precedent.

The Twelve also look for continuing progress towards the peaceful resolution of regional conflicts, universal respect for fundamental human rights, and the free exchange of people and ideas.

The European Council welcomes the more outward-looking attitude now being shown by Eastern European countries in their economic contacts with the West, as witnessed by the establishment and development of relations with the Community. This should be encouraged as contributing to the wider opening up of their economies and societies. The East-West Economic Conference proposed by the Twelve at the Vienna CSCE follow-up meeting will also serve that purpose.

The European Council calls upon other CSCE participating States to join in an effort to conclude the Vienna meeting with a substantive and balanced document permitting significant progress in all areas, in particular in the human dimension. The draft concluding document proposed by the neutral and non-aligned States on 13 May offers a suitable basis to elaborate such a document. A successful conclusion of the Vienna meeting will make possible an early start of negotiations on conventional stability in Europe, the key issue of European security, aiming at the establishment of a stable and secure balance of conventional forces in Europe at a lower level, and on a further set of security and confidence-building measures, as well as other follow-up proposals supported by the Twelve.

2. Afghanistan

The European Council calls upon all concerned to implement fully the peace process set out by the Geneva agreements on Afghanistan. It expects the Soviet Union to complete the withdrawal of its troops in accordance with these agreements. It supports all efforts to establish a representative government formed in a process of self-determination in which the Resistance have a full part to play.

The European Council declares the readiness of the Community and its Member States to provide humanitarian assistance under the programme to be carried out by the UN Coordinator, NGOs and the ICRC in favour of the voluntary repatriation and resettlement of the refugees and displaced persons.

The Community and its Member States are also prepared to provide reconstruction assistance for Afghanistan after the formation of a representative government and the establishment of internal peace.

3. Middle East

The European Council expressed its concern at the increase in tension in the Middle East. The status quo in the Occupied Territories cannot be sustained. On the basis of their established positions the Twelve will continue to work towards the early convening, under UN auspices, of an International Peace Conference, which is the suitable framework for the necessary negotiations between the parties directly concerned, and is essential to bring about a comprehensive, just and lasting peace in the region. The Twelve will support all initiatives to this end.

The continuation of the war between Iraq and Iran endangers the security and stability of the entire region. The Twelve deplore that, nearly one year after its unanimous adoption by the UN Security Council, Resolution 598 has not yet been implemented. They will continue to support the efforts of the UN Secretary-General to secure its early and full implementation. The Twelve condemn the use of chemical weapons and renew their commitment to uphold the principle of freedom of navigation in the Gulf.

The Twelve remain deeply preoccupied by the situation in Lebanon. They confirmed the importance they attach to the orderly and legal conduct of the forthcoming presidential election. They also recalled their support for Unifil and reiterated their strong appeal for the immediate release of all hostages still being held in Lebanon.

The European Council welcomed the recent signature of the Cooperation Agreement with the Gulf Cooperation Council and the intensification of relations with its members. It also welcomed the recent 'troika' meeting in the Euro-Arab Dialogue and hoped this would lead to increased productive cooperation.

4. South Africa

The European Council noted with great concern that relations between the Twelve and South Africa run the risk of being worsened even further. In this respect it urged that all legal options available in South Africa, including, if necessary, the grant of clemency by President Botha, should be used to prevent the death penalty from being carried out against the Sharpeville Six.

On 18 July, Nelson Mandela will mark his 70th birthday. The European Council strongly appeals to the South African authorities to free him and all other political prisoners.

The European Council confirmed that the enactment of the proposed bill designed to deprive anti-apartheid organizations, striving for peaceful change, of financial support from abroad would place additional strain on the relations of the Twelve with South Africa.

5. Southern Africa

The Twelve recalled their established position concerning Namibia and supported the current efforts to secure peace for Angola and independence for Namibia on the basis of UN Security Council Resolution 435.

6. Latin America

The European Council discussed the situation in Latin America and underlined the fundamental importance of the rule of democracy and the normal functioning of democratic institutions as a key factor for stability in the subcontinent. The continuity of the peace process in Central America is essential for achieving peace, justice and the observance of human rights in the whole region. The Twelve remain determined to provide continued support for this process.

5. Western Economic Summit

Toronto, 20 and 21 June 1988

Economic declaration

3.5.1. 'We, the Heads of State or Government of seven major industrial nations and the President of the Commission of the European Communities, have met in Toronto for the 14th annual Economic Summit. We have drawn lessons from the past and looked ahead to the future.

3.5.2. Over the past 14 years, the world economy and economic policy have undergone profound changes. In particular, the information-technology revolution and the globalization of markets have increased economic interdependence, making it essential that governments consider fully the international dimensions of their deliberations.

3.5.3. We observed a sharp contrast between the 1970s and 1980s. The former was a decade of high and rising inflation, declining productivity growth, policies dominated by short-term considerations, and frequently inadequate international policy cooperation. In the 1980s inflation has been brought under control, laying the basis for sustained strong growth and improved productivity. The result has been the longest period of economic growth in post-war history. However, the 1980s have seen the emergence of large external imbalances in the major industrial economies, greater exchange rate volatility, and debt-servicing difficulties in a number of developing countries. Our response to these developments has been an increased commitment to international cooperation, resulting in the intensified process of policy coordination adopted at the 1986 Tokyo Summit and further strengthened at the Venice Summit and the Group of Seven.

3.5.4. Summits have proven an effective forum to address the issues facing the world economy, promote new ideas and develop a common sense of purpose. Especially in the 1980s they have helped bring about an increasing recognition that the eradication of inflation and of inflationary expectations is fundamental to sustained growth and job creation. That recognition has been underpinned by a shift from short-term considerations to a medium-term framework for the development and implementation of economic policies, and a commitment to improve efficiency and adaptability through greater reliance on competitive forces and structural reform. Over this period we have also singled out for concerted attention a number of other issues of decisive importance: the overriding need to resist protectionism and strengthen the open, multilateral trading system;

to maintain and strengthen an effective strategy to address the challenge of development and alleviate the burden of debt; and to deal with the serious nature of the world agricultural problem.

3.5.5. Since we last met, our economies have kept up a momentum of growth. Employment has continued to expand, inflation has been restrained, and progress has been made toward the correction of major external imbalances. These encouraging developments are cause for optimism, but not for complacency. To sustain non-inflationary growth will require a commitment to enhanced cooperation. This is the key to credibility and confidence.

International economic policy coordination

Macroeconomic policies and exchange rates

3.5.6. The Tokyo and Venice Summits have developed and strengthened the process of coordination of our economic policies. Developments in the wake of the financial strains last October demonstrate the effectiveness and resilience of the arrangements that have emerged. The policies, the short-term prospects, and the medium-term objectives and projections of our economies are being discussed regularly in the Group of Seven. The policies and performance are assessed on the basis of economic indicators. We welcome the progress made in refining the analytical use of indicators, as well as the addition to the existing indicators of a commodity-price indicator. The progress in coordination is contributing to the process of further improving the functioning of the international monetary system.

3.5.7. Fiscal, monetary and structural policies have been undertaken to foster the adjustment to more sustainable economic and financial positions in the context of non-inflationary growth. Efforts in those directions, including continued reduction of budgetary deficits, will continue. We reaffirm our determination to follow and, wherever feasible, strengthen our agreed strategy of coordinated efforts to reduce the growth of spending in countries with large external deficits and to sustain the momentum of domestic demand in those with large external surpluses. The reduction of large external imbalances, however, will require not only our cooperative efforts, but also those of smaller economies, including newly industrializing economies, with large external surpluses.

3.5.8. The exchange-rate changes in the past three years, especially in the depreciation of the US dollar against the Japanese yen and the major

European currencies, have played a major role in the adjustment of real trade balances. We endorse the Group of Seven's conclusion that either excessive fluctuation of exchange rates, a further decline of the dollar or a rise in the dollar to an extent that becomes destabilizing to the adjustment process, could be counterproductive by damaging growth prospects in the world economy.

Structural reforms

3.5.9. International cooperation involves more than coordination of macroeconomic policies. Structural reforms complement macroeconomic policies, enhance their effectiveness, and provide the basis for more robust growth. We shall collectively review our progress on structural reforms and shall strive to integrate structural policies into our economic coordination process.

3.5.10. We will continue to pursue structural reforms by removing barriers, unnecessary controls and regulations; increasing competition, while mitigating adverse effects on social groups or regions; removing disincentives to work, save, and invest, such as through tax reform; and by improving education and training. The specific priorities that each of us has identified are outlined in the attached Annex on structural reforms.

3.5.11. We welcome the further development of the OECD's surveillance of structural reforms. Such surveillance would be particularly useful in improving public understanding of the reforms by revealing their impact on government budgets, consumer prices, and international trade.

3.5.12. One of the major structural problems in both developed and developing countries is in the field of agricultural policies. It is essential that recent significant policy reform efforts undertaken by a number of parties be continued through further positive action by all Summit participants. More market-oriented agricultural policies should assist in the achievement of important objectives such as preserving rural areas and family farming, raising quality standards and protecting the environment. We welcome the OECD's increased emphasis on structural adjustment and development in the rural economy.

3.5.13. Financial and technological innovations are rapidly integrating financial markets internationally, contributing to a better allocation of capital but also increasing the speed and extent to which disturbances in one country may be transmitted to other countries. We will continue to cooperate with other countries in the examination of the functioning of the global financial system, including securities markets.

Multilateral trading system — Uruguay Round

3.5.14. A successful Uruguay Round will assure the integrity of an open, predictable multilateral trading system based on clear rules and will lead to trade expansion and enhanced economic growth. At Punta del Este, Ministers committed themselves to further trade liberalization across the wide range of goods and services, including such new areas as trade-related intellectual property and trade-related investment measures, to strengthen the multilateral trading system, and to allow for early agreement where appropriate. Countries must continue to resist protectionism and the temptation to adopt unilateral measures outside the framework of GATT rules and to allow for early agreements where appropriate. In order to preserve a favourable negotiating climate, the participants should conscientiously implement the commitments to standstill and rollback that they have taken at Punta del Este and subsequent international meetings.

3.5.15. We welcome the Free Trade Agreement between Canada and the USA, and the steady progress towards the target of the European Community to complete the internal market by 1992. It is our policy that these developments, together with other moves towards regional cooperation in which our countries are involved, should support the open, multilateral trading system and the liberalizing impact of the Uruguay Round.

3.5.16. We attach major importance to strengthening the GATT itself. It is vital that the GATT become a more dynamic and effective organization, particularly in regard to the surveillance of trade policies and dispute settlement procedures, with greater ministerial involvement, and strengthened linkages with other international organizations. GATT disciplines must be improved so that members accept their obligations and ensure that disputes are resolved speedily, effectively and equitably.

3.5.17. Trade plays a key role in development. We encourage the developing countries, especially the newly industrializing economies, to undertake increased commitments and obligations and a greater role in the GATT, commensurate with their importance in international trade and in the international adjustment process, as well as with their respective stages of development. Equally, developed countries should continue to strive to ensure more open markets for the exports of developing countries.

3.5.18. In agriculture, continued political impetus is essential to underpin the politically difficult efforts at domestic policy reform and to

advance the equally difficult and related process of agricultural trade reform. Although significant progress was made in 1987 in the Uruguay Round negotiations, with the tabling of major proposals, it is necessary to ensure that the mid-term review in Montreal this December 1988 adds impetus to the negotiations in this as in other fields. We support efforts to adopt a framework approach, including short as well as long-term elements which will promote the reform process as launched last year and relieve current strains in agricultural markets. This would be facilitated by a device for the measurement of support and protection. Also, ways should be developed to take account of food security and social concerns. To move the issue forward, and noting among other things the diversity of our agricultural situations, our negotiators in Geneva must develop a framework approach which includes short-term options in line with long-term goals concerning the reduction of all direct and indirect subsidies and other measures directly or indirectly affecting agricultural trade. The objective of the framework approach would be to make the agricultural sector more responsive to market signals.

3.5.19. As the Uruguay Round enters a more difficult phase, it is vital to ensure the momentum of these ambitious negotiations. The mid-term review will provide a unique opportunity to send a credible political signal to the trading world. The greatest possible advance must be made in all areas of the negotiations, including, where appropriate, decisions, so as to reach before the end of the year the stage where tangible progress can be registered. To this end, we support efforts to adopt a framework approach on all issues in the negotiations, i.e., reform of the GATT system and rules, market access, agriculture and new issues (such as trade in services, trade-related intellectual property rights, and trade-related investment measures). For our part, we are committed to ensure that the mid-term review establishes a solid base for the full and complete success of the negotiations, in accordance with the Punta del Este declaration.

3.5.20. We all recognize the critical and expanding role of international investment in the world economy and share a deep concern that increased protectionism would undermine the benefits of open investment policies. We resolve to progressively liberalize international investment policies and urge other countries to do likewise.

Newly industrializing economies

3.5.21. Certain newly industrializing economies (NIEs) in the Asia-Pacific region have become increasingly important in world trade. Although these economies differ in many respects, they are

all characterized by dynamic, export-led growth which has allowed them to treble their share of world trade since 1960. Other outward-oriented Asian countries are also beginning to emerge as rapidly growing exporters of manufactures. With increased economic importance come greater international responsibilities and a strong mutual interest in improved constructive dialogue and cooperative efforts in the near term between the industrialized countries and the Asian NIEs, as well as the other outward-oriented countries in the region. The dialogue and cooperative efforts could centre on such areas as macroeconomic, monetary, structural and trade policy to achieve the international adjustment necessary for sustained, balanced growth of the world economy. We encourage the development of informal processes which would facilitate multilateral discussions of issues of mutual concern and foster the necessary cooperation.

Developing countries and debt

3.5.22. The performance of developing countries is increasingly important to the world economy. Central to the prospects of the developing countries are a healthy global economic environment and an open trading system, adequate financial flows and, most important, their commitment to appropriate economic reform. 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 developing countries. Several countries find themselves in that situation in various regions of the world: Latin America, Africa and the Pacific, particularly the Philippines, and that merits our special attention.

Middle-income countries

3.5.23. A number of highly indebted middle-income countries continue to have difficulties servicing their external debt and generating the investment necessary for sustainable growth. The market-oriented, growth-led strategy based on the case-by-case approach remains the only viable approach for overcoming their external debt problems.

3.5.24. We are encouraged that many indebted countries have begun the difficult process of macroeconomic adjustment and structural reform necessary for sustained progress, encouraging the return of flight capital and new investment flows. The success of these efforts is essential for improving the economic performance and strengthening the creditworthiness of these countries.

3.5.25. Official financing has played a central role in the debt strategy through the Paris Club

(USD 73 billion of principal and interest have been consolidated since 1983) and the flexible policies of export credit agencies. The international financial institutions will continue to have a pivotal role. We endorse the recent initiatives taken by the International Monetary Fund to strengthen its capacity to support medium-term programmes of macroeconomic adjustment and structural reform and to provide greater protection for adjustment programmes from unseen external developments. We strongly support the full implementation of the World Bank's USD 75 billion general capital increase to strengthen its capacity to promote adjustment in middle-income countries. We also support greater awareness by international financial institutions of the environmental impact of their development programmes.

3.5.26. Commercial banks have played an important role in supporting debtor countries' reform efforts through an expanded menu of financing options which has facilitated the channelling of commercial bank lending into productive uses. Their continued involvement is indispensable to the debt strategy. In this regard, the World Bank and IMF can play an important catalytic role in mobilizing additional financing from private (and official) sources in support of debtor countries adjustment programmes.

3.5.27. We note that in recent years there has been increasing recourse to innovative financing techniques. The important characteristics of these techniques are that they are voluntary market-oriented, and applied on a case-by-case basis. The "menu approach" has endangered new financial flows and, in some cases, reduced the existing stock of debt. The flexibility of the present strategy would be enhanced by the further broadening of the menu approach and the encouragement of innovative financing techniques to improve the quality of new lending, but particular initiatives would have to be carefully considered.

3.5.28. International direct investment plays an important role in spurring economic growth and structural adjustment in developing countries. Thus it contributed to alleviating debt problems. Developing countries should welcome and encourage such investment by creating a favourable investment climate.

Debt of the poorest

3.5.29. An increase in concessional resource flows is necessary to help the poorest developing countries resume sustained growth, especially in cases where it is extremely difficult for them to service their debts. Since Venice, progress in dealing with the debt burden of these countries has been encouraging. Paris Club creditors are resched-

uling debt at extended grace and repayment periods. In addition, the recent enhancement of the IMF's structural adjustment facility, the World Bank and Official Development Assistance (ODA) agencies' enhanced programme of co-financing, and the fifth replenishment of the African Development Fund will mobilize a total of more than USD 18 billion in favour of the poorest and most indebted countries undertaking adjustment efforts over the period 1988-90. Out of this total, USD 15 billion will be channelled to sub-Saharan African countries.

3.5.30. We welcome proposals made by several of us to ease further the debt-service burdens of the poorest countries that are undertaking internationally approved adjustment programmes. We have achieved consensus on rescheduling official debt of these countries within a framework of comparability that allows official creditors to choose among concessional interest rates on shorter maturities, longer repayment periods at commercial rates, partial write-offs of debt-service obligations during the consolidation period, or a combination of these options. This approach allows official creditors to choose options consistent with their legal or budgetary constraints. The Paris Club has been urged to work out necessary technicalities to ensure comparability by the end of this year at the very latest. This approach will provide benefits over and above the impressive multilateral agreements to help the poorest countries over the past year. On a bilateral basis, several creditor governments have already taken action to write off the principal of ODA loans or to relieve future servicing of these loans, while other countries continue to maintain a high grant element in their assistance to the poorest.

Environment

3.5.31. We agree that the protection and enhancement of the environment is essential. The report of the World Commission on Environment and Development has stressed that environmental considerations must be integrated into all areas of economic policy-making if the globe is to continue to support mankind. We endorse the concept of sustainable development.

3.5.32. Threats to the environment recognize no boundaries. Their urgent nature requires strengthened international cooperation among all countries. Significant progress has been achieved in a number of environmental areas. The Montreal Protocol on Substances that Deplete the Ozone Layer is a milestone. All countries are encouraged to sign and ratify it.

3.5.33. Further action is needed. Global climate change, air and water pollution, acid rain, hazard-

ous substances, deforestation, and endangered species require priority attention. It is, therefore, timely that negotiations on a protocol on emissions of nitrogen oxides within the framework of the Geneva Convention on Long-range Transboundary Air Pollution be pursued energetically. The efforts of the United Nations Environment Programme (UNEP) for an agreement on the trans-frontier shipment of hazardous wastes should also be encouraged, as well as the establishment of an intergovernmental panel on global climate change under the auspices of UNEP and the World Meteorological Organization (WMO). We also recognize the potential impact of agriculture on the environment, whether negative through over-intensive use of resources or positive in preventing desertification. We welcome the Conference on the Changing Atmosphere to be held in Toronto next week.

Future summits

3.5.34. We, the Heads of State or Government, and the representatives of the European Community, believe that the economic summits have strengthened the ties of solidarity, both political and economic, that exist between our countries and that thereby they have helped to sustain the values of democracy that underlie our economic and political systems. Our annual meetings have provided the principal opportunity each year for the governments of the major industrialized countries to reflect, in an informal and flexible manner, upon their common responsibility for the progress of the world economy and to resolve how that responsibility should have practical manifestation in the years ahead. We believe that the mutual understanding engendered in our meetings has benefited both our own countries and the wider world community. We believe, too, that the opportunities offered by our meetings are becoming even more valuable in today's world of increasing interdependence and increasing technological change. We have therefore agreed to institute a further cycle of summits by accepting the invitation of the President of the French Republic to meet in France, from 14 to 16 July 1989.

Other issues

Human frontier science programme

3.5.35. We note the successful conclusion of Japan's feasibility study on the human frontier science programme and are grateful for the opportunities our scientists were given to contribute to the study. We look forward to the Japanese

Government's proposal for the implementation of the programme in the near future.

Bioethics

3.5.36. We note that, as part of the continuing review of the ethical implications of developments in the life sciences, the Italian Government hosted the fifth Conference of Bioethics in April 1988, and we welcome the intention of the European Communities to host the sixth conference in the spring of 1989.'

Annex on structural reforms

3.5.37. Europe is pursuing structural reforms to complement macroeconomic policies in order to spur job creation, enhance growth potential, and achieve a sustainable pattern of external balances. Structural reform measures are being put into place in the framework of the Communities' programme for a unified internal market by 1992, including full liberalization of capital movements, removal of physical administrative and technical barriers to allow the full mobility of persons, goods and services and an improvement of competition policy. However, full achievement will depend on complete and timely implementation of the measures and on complementary policies, including those in the fields of regional, social and environmental policies and of technological cooperation.

The main elements of Germany's structural reforms are tax reform and reduction, deregulation and privatization, reform of the postal and telecommunications systems, increased flexibility in the labour market, and reform of the social security system.

In France, the main structural reforms will deal with improving the level of education and professional training and development for workers, and with major improvements in the functioning of financial markets in order to facilitate the financing of the economy at the lowest possible cost.

Italy will seek to promote training and education, increase the flexibility of the labour market to spur employment, improve the functioning of financial markets, revise the tax system to promote efficiency and eliminate distortions, and enhance public sector efficiency.

In the United Kingdom, there has already been a substantial programme of tax reform, trade union law reform, deregulation, opening up of markets and privatization of State industries. This will continue. Further measures are being introduced to improve both the quality of education and the flexibility of the housing market.

Japan will pursue further structural reforms to support and sustain the greater reliance on domestic-led growth which has quickened remarkably. Japan will promote reform of government regulations in key sectors, including land-use policies and the distribution system, and reform of the tax system.

For the USA, recent indications that the declining trend in private savings may have bottomed out are encouraging, it is none the less a priority to increase incentives to save. Also, the USA will strengthen the internal competitiveness of its industrial sector.

The most promising areas of structural reform in Canada are implementation of the second stage of tax reform, the proposed liberalization of the financial services sector, and, most important, the implementation of the Free Trade Agreement with the USA.

Political declaration

East-West

3.5.38. 'We the leaders of our seven countries, and the representatives of the European Community, uphold common principles of freedom, respect for individual rights, and the desire of all men to live in peace under the rule of law. Our peoples stand in solidarity within the framework of our existing alliances for the cause of freedom, to safeguard democracy and the prosperity which it has produced. In our discussions we considered how these goals and values could be pursued in the field of foreign affairs, particularly with regard to East-West relations.

We discussed a wide range of regional questions and these discussions are continuing throughout the Summit.

We confirmed our belief in constructive and realistic dialogue and cooperation, including arms control, human rights and regional issues, as the way to build stability between East and West and enhance security at lower levels of arms. We also reaffirmed that for the foreseeable future nuclear deterrence and adequate conventional strength are the guarantees of peace in freedom.

In several important respects changes have taken place in relations between Western countries and the Soviet Union since we last met. For our part, this evolution has come about because the industrialized democracies have been strong and united. In the Soviet Union greater freedom and openness will offer opportunities to reduce mistrust and

build confidence. Each of us will respond positively to any such developments.

We welcome the beginning of the Soviet withdrawal of its occupation troops from Afghanistan. It must be total and apply to the entire country. The Afghan people must be able to choose their government freely. Each of us confirms our willingness to make our full contribution to the efforts of the international community to ensure the return of the refugees to their homeland, their resettlement, and the reconstruction of their country. We now look to the Soviet Union to make a constructive contribution to resolving other regional conflicts as well.

Since our last meeting, progress has been made between the USA and the Soviet Union in agreeing to reduce nuclear weapons in a manner which accords fully with the security interests of each of our countries. The INF Treaty, the direct result of Western firmness and unity, is the first treaty ever actually to reduce nuclear arms. It sets vitally important precedents for future arms control agreements: asymmetrical reductions and intrusive verification arrangements. We now look for deep cuts in US and Soviet strategic offensive arms. We congratulate President Reagan on what he has already accomplished, along with General Secretary Gorbachev, towards this goal.

None the less, the massive presence of Soviet conventional forces in Western Europe, the ensuing conventional superiority of the Warsaw Pact, and its capacity to launch surprise attacks and large-scale offensive operations, lie at the core of the security problem in Europe. The Soviet military buildup in the Far East is equally a major source of instability in Asia. These threats must be reduced. Our goal is enhanced security and stability at lower levels of forces, after having eliminated the present imbalances. We seek the early establishment of a comprehensive, effectively verifiable and truly global ban on chemical weapons.

Genuine peace cannot be established solely by arms control. It must be firmly based on respect for fundamental human rights. We urge the Soviet Union to move forward in ensuring human dignity and freedoms and to implement fully and strengthen substantially its commitments under the Helsinki process. Recent progress must be enshrined in law and practice, the painful barriers that divide people must come down, and the obstacles to emigration must be removed.

We pay special attention to the countries in Eastern Europe. We encourage them to open up their economies and societies, and to improve respect for human rights. In this context we support the continuation and strengthening of the Helsinki process.

We take positive note of Eastern countries' growing interest in ending their economic isolation, for example in the establishment and development of relations with the European Community. East-West economic relations can be expanded and serve our common interests so long as the commercial basis is sound, they are conducted within the framework of the basic principles and the rules of the international trade and payments system, and are consistent with the security interests of each of our countries.

Terrorism

3.5.39. We strongly reaffirm our condemnation of terrorism in all its forms, including the taking of hostages. We renew our commitment to policies and measures agreed at previous summits, in particular those against State-sponsored terrorism.

We strongly condemn recent threats to air security, in particular the destruction of a Korean airliner and the hijacking of a Kuwaiti airliner. We recall the principle affirmed in previous declarations that terrorists must not go unpunished. We appeal to all countries who are not party to the international conventions on civil aviation security, in particular the Hague Convention, to accede to those conventions.

We express support for work currently under way in the International Civil Aviation Organization aimed at strengthening international protection against hijackings. We welcome the most recent declaration adopted by the ICAO Council which endorses the principle that hijacked aircraft should not be allowed to take off once they have landed, except in circumstances as specified in the ICAO declarations.

We welcome the adoption this year in Montreal and Rome of two international agreements on aviation and maritime security to enhance the safety of travellers.

We reaffirm our determination to continue the fight against terrorism through the application of rule of law, the policy of no concessions to terrorists and their sponsors, and international cooperation.

Narcotics

3.5.40. The illegal use of drugs and the illicit trafficking in them poses grave risks to the peoples of Summit countries as well as the peoples of source and transit countries. There is an urgent need for improved international cooperation in all appropriate fora on programmes to counter all facets of the illicit drug problem, in particular

production, trafficking, and financing of the drug trade. The complexity of the problem requires additional international cooperation, in particular to trace, freeze and confiscate the proceeds of drug traffickers, and to curb money laundering.

We look forward to the successful negotiation in Vienna in November of a United Nations Convention on Illicit Trafficking.

We supported the initiative of the US Government for a special task force to be convened to propose methods of improving cooperation in all areas including national, bilateral and multilateral efforts in the fight against narcotics.

Chairman's summary of political issues

The following represents an agreed summary of the discussions on the Middle East, South Africa and Cambodia.

Middle East

3.5.41. 'We express our deep concern at the increasing instability in the Near East. The current violence in the Occupied Territories is a clear sign that the status quo is not sustainable. An early negotiated settlement to the underlying Arab/Israeli dispute is essential. We declare our support for the convening of a properly structured international conference as the appropriate framework for the necessary negotiations between the parties directly concerned. In this perspective we salute current efforts aimed at achieving a settlement, particularly the initiative pursued by Mr Shultz since February. We urge the parties to cooperate fully in the search for a solution.

We have pursued our consultations about the continuing war between Iran and Iraq, which remains a source of profound concern to us. We reaffirm our support for Security Council resolution 598, which was adopted unanimously. We express our warm appreciation for the efforts of the Secretary-General to work for a settlement on this basis and reiterate our firm determination to ensure implementation of this mandatory resolution by a follow-up resolution. We condemn the use of chemical weapons by either party, deplore proliferation of ballistic missiles in the region, and renew our commitment to uphold the principle of freedom of navigation in the Gulf.

South Africa

3.5.42. We declare our abhorrence of apartheid, which must be replaced through a process of genu-

ine national negotiations by a non-racial democracy.

We expressed our urgent opinion on three particular matters:

- (i) all legal options available in South Africa should be used to secure clemency for the Sharpeville Six;
- (ii) the enactment of legislation designed to deprive anti-apartheid organizations of overseas aid would place severe strain on the relations each of us has with South Africa;
- (iii) we strongly support the current negotiations seeking national reconciliation within Angola, an

end to the Angola/Namibia conflict, and early implementation of UN Security Council resolution 435.

Kampuchea

3.5.43. As the recent message from Prince Sihanouk has reminded us, the continuing Kampuchean conflict and the suffering of the Kampuchean people is of deep concern. We join the vast majority of the nations of the world in calling for the prompt withdrawal of all Vietnamese troops. We support a political settlement in Kampuchea which will provide for Kampuchean self-determination and lead to the re-emergence of a free and independent Kampuchea.'

6. Germany's six months as Council President

Extracts from the report by Mr Genscher, President of the Council, to the European Parliament Strasbourg, 16 June 1988

3.6.1. 'The European Community is in a buoyant and confident mood. We have made valiant progress towards achieving a wholly united, long-lasting and effective European Union. Our Community of free democracies has become stronger internally, with more scope for action in foreign policy.

Only together can we meet the great challenges facing us. Only together can we take advantage of the great opportunities before us. A strong and united Community gives the whole world hope for peace.

The Germany Presidency set the Community four major goals for the first half of 1988:

- (i) on the domestic front, adoption of the Delors package;
- (ii) progress towards the European internal market;
- (iii) abroad, enhancement of the Community's external relations;
- (iv) European political cooperation.

At the end of the six months, great progress has been made in all four areas.

In February this year the European Council in Brussels¹ adopted a wide-ranging package of reform proposals from the Commission.² Those decisions were a sweeping success for the Community. They have laid the basis for achieving the goals before us.

We have placed the Community's funding on a sound footing, fairer to the Member States.

The funding of the EEC's agricultural policy has been placed on a more stable footing again by the decisions taken during the German Presidency. The new approach to agricultural policy that we have introduced means that our farmers now have a clear view of the future. By doubling the structural Funds by 1993 and concentrating them on the less prosperous regions, we have increased the Community's social and economic cohesion. This is one of the essential prerequisites for achievement of the internal market.

In Brussels the Community success principle proved its worth. Because each of us was ready to compromise, everyone benefited. With the General Affairs Council's approval of the framework Regulation for the structural Funds, and its decisions on own resources and budgetary discipline, all the Brussels European Council's decisions of principle on the

¹ Bull. EC 2-1988, point 1.1.1 *et seq*

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

Delors package have been put into practice. It needed great effort. But it is also a great success.

Everyone involved, especially the Commission and the Council Secretariat, deserves our thanks.

I am grateful to this House because it has already delivered part of its opinion on these wide-ranging proposals, and will be delivering the rest this week. When the conciliation procedure with you is finished at the beginning of next week, all the implementing decisions on the Delors package can be formally adopted.

The interinstitutional agreement on budgetary discipline between the European Parliament, the Council and the Commission is another great advance, showing us the way ahead. It will allow the institutions to have even greater confidence in their dealings with each other.

Our Presidency's second major priority is actively to pursue completion of the common internal market. Achieving this goal on schedule is a political and economic challenge. The Community's present state is self-limiting and self-imposed. We must cast off these constraints. The strength and growth potential of a market of 320 million consumers must at long last be allowed to develop to the full.

Reports from this House and investigations carried out for the Commission give an impressive picture of the growth potential and medium-term economic advantages of the internal market:

- (i) a cost savings of more than 200 billion ECU;
- (ii) an increase of 4.5% in the EEC domestic product;
- (iii) a fall of 6.1% in consumer prices;
- (iv) the creation of 1.8 million new jobs.

The figures may seem ambitious, but they are realistic. The benefits could be increased still further by an active, growth-targeted policy, harmonized between Member States. The stimulus to growth which the Community will receive from completion of the internal market can only be compared with the benefits which accrued during the actual founding of the Community.

However, we do not want growth at any price. We need better-quality growth, growth that will reduce the pressure on raw materials and the environment, and replace mass production by products with high added-value. We need growth that will speed up the transition to high-quality industrial goods and highly qualified services, and open up fresh opportunities for European competitors on world markets.

The internal market will only have a chance if businessmen take up the challenge. Until now,

whole areas of the European economy have been sheltered from competition. Sectors such as telecommunications, transport and some energy production will have to face stronger competition once the internal market is complete.

Potential markets will no longer be partitioned off. This will not only require European strategies on the part of businesses; for many of them it will mean systematic restructuring too. There will be vast new opportunities for undertakings in this great market. At the same time, citizens of the Community, as consumers, will enjoy wider and cheaper supplies of goods and services. The Community economy as a whole will become stronger and more competitive on world markets.

However, for many citizens of the Community, the most important consequence of the creation of the common internal market will be the creation of new permanent jobs.

At over 11%, unemployment is still unacceptably high. Although more than a million new jobs were created in 1987, the number of unemployed in the Community today, more than 16 million, is still roughly 3 million higher than it was in 1983.

Women, the young and older people are still especially hard hit. One third of unemployed people are under 25. This is a heavy burden for people in the Community. To prevent the problems becoming still worse, the European Council in Brussels substantially increased the resources of the Social Fund, including those for combating long-term unemployment and youth unemployment.

Let me now take stock of selected important individual projects with a view to 1992. The Commission lists 286 measures in its White Paper on the completion of the internal market. About a third of them have been accomplished so far. In recent months progress has chiefly been made on:

- (i) the abolition of barriers to the free movement of goods and persons and public procurement, together with
- (ii) creation of a common market in services, particularly non-life insurance.

We hope to make an important breakthrough next week both on the recognition of higher-education diplomas (→ point 1.3.1 *et seq.*) and on rules for access to the road haulage market (→ point 1.4.1 *et seq.*).

It was one of our aims to start substantive discussions on the particularly difficult question of harmonizing indirect taxation during our Presidency. This we have done. It has already become clear what serious problems individual Member States will have in making the adjustment and

that tax harmonization will be impossible without considerable readiness to compromise on all sides. With the internal market in prospect, the full liberalization of capital movements which the Finance Ministers decided on three days ago is of particular significance (→ point 2.1.8).

Free capital movements ease the way for convergence of economic and monetary policy and are therefore an important feature in strengthening the EMS. This is a basic prerequisite for creation of a European monetary union. Now that capital movements have been liberalized fully, the goal is to develop the European Monetary System further. In the short term, the main needs are consolidation of the convergence of Member States' economic and monetary policies already achieved, full participation in the EMS by all Member States and removal of special arrangements. Italy should give up its broader band widths. The United Kingdom should finally adhere to the exchange-rate mechanism and thus join in taking full responsibility for the EMS. In the medium term, there is the question of Europe's future monetary system.

Logically, monetary union and a European Central Bank follow on from the internal market. A substantive debate on these questions is under way in the Community. Senior figures in business, the central banks and governments are increasingly pressing for speedy progress.

On 20 January this year I told this House that the conditions for progress had perhaps never been so favourable as now.¹ We must not let the opportunity slip by.

The German Presidency will therefore propose that the European Council in Hanover take up this discussion and lay down principles for extending monetary policy cooperation between the Member States with the aim of achieving economic and monetary union, as well as conditions for and ways and means of arriving at that goal.

It goes without saying that such a union would also include a central bank as part of a European central bank system.

Not least, creating a single European internal market means extending the European Technology Community. In technology too we must stop thinking in national terms, with national organizational structures, and make much better use of our resources than we have so far. With tough competition from the USA and Japan, we can no longer afford to do our research in duplicate and triplicate, or to have projects the wrong size, and surplus research and plant capacity. We need a European technology policy, not one primarily geared to national requirements.

Under the previous Presidency, a framework programme for research and technological development until 1991 was adopted.² It put Community cooperation in eight large areas of technology on a firm footing.

We have also forged ahead with implementation of this programme. The Brite programme for industrial technology and the Esprit programme for information technologies have been adopted. Other major programmes will be adopted shortly.

However, Europe is not confined to the European Community. For this reason, cooperation in the Eureka programme and in the COST framework is particularly important.

The Presidency's proposals for increased participation in Eureka projects should lead to improved cooperation between the European Technology Community and Eureka.

There is one central problem regarding future biotechnology programmes that is of concern to us. Should we do everything that we are technologically able to do. Where are the limits on what we may do?

We are grateful that the Commission has followed our suggestion of holding a conference on bioethics this year. It should guide us in difficult territory. Genetic engineering must only be allowed to develop for the benefit of nature and mankind.

It was in Europe that scientific and technical civilization first began. Europe therefore has a special responsibility to seek acceptable ethical yardsticks. Technological potentialities must be considered not only from the point of view of what is possible, but also from the point of view of what we can take responsibility for. We need an effective protection for human dignity against misuse of the creative process to which we owe human existence.

The European system of free society also means preserving the natural basis of life, protecting biological equilibrium and creative interplay between mankind and nature. The Single European Act laid the basis for this policy. The threat to the natural basis for existence is of worldwide dimensions.

Environmental protection has to be a cross-border operation. The European Year of the Environment has contributed, with a number of events, to heightening environmental awareness in the Community. The Environment Ministers have discussed the problems of 'agriculture and the environment' (→ point 2.1.219). The Council achieved tangible results on water protection. The

¹ Bull. EC 1-1988, point 3.4.1.

² OJ L 302, 24 10 1987; Bull. EC 9-1987, point 2.1.32.

environmental catastrophe in the North Sea highlights in dramatic fashion the need to take action.

A year before the next elections to the European Parliament, the people's Europe has acquired particular significance.

In all areas of the Community, particularly environment policy, health policy, women's policy and social policy, we need ideas and action to win the hearts and minds of our fellow citizens for the cause of Europe.

Adoption of the "Youth for Europe" exchange programme is a useful supplement to the successful Erasmus and Comett programmes.

Work on the Directive on the right of residence and the abolition of controls at internal frontiers has progressed, but is unfortunately not finished yet.

Progress has been made with the European strategy to combat AIDS and the "Europe against cancer" action programme, but there is still much to do.

The Presidency was anxious to promote the education policy aspects of Community policies. The Education Ministers considered what contribution education policy could make to the creation of the internal market, to the development of research and technology policy and to social and economic cohesion within the Community.

They adopted proposals on the European dimension in education, on environmental education, on the teaching of foreign languages and on the transition from school to working life.

On 23 April Berlin was presented to the public as this year's European City of Culture. Berlin is thus receiving fresh stimulus as the centre of European culture. This year Berlin is making a special contribution to the cultural self-discovery of Europe.

The writers' congress on the theme "A dream of Europe", held in Berlin at the end of May, signalled a fresh attitude to Europe across the division of our continent.

I congratulate this House on the successful work of its Committee on Petitions. I am sure that this aspect of your work will gain in importance for relations between the public and the European Parliament as the third direct elections approach.

The intensive dialogue with the committees, the close cooperation with the President of the European Parliament and the exchange with the political groups, whenever it was wanted, were in line with the European Parliament's growing influence.

One year after entry into force of the Single European Act, the new cooperation procedure is fully operational and has been used efficiently. The

same goes for this House's right to participate and be kept informed in the field of the Community's international agreements.

My colleagues and I are agreed that we should make full use of all the potentialities of the Single European Act and the Foreign Ministers' decision of 28 February 1986 for close cooperation with the European Parliament in the EPC area too.

I am particularly grateful to the Political Affairs Committee of this House for our two meetings and our fruitful dialogue.

As the Community develops on the domestic front, the greater its scope for economic and political action abroad, the greater its attraction for the rest of the world.

It was one of the priorities of our Presidency to extend and intensify the Community's international relations. We have made progress towards a common European foreign policy. The EPC Secretariat in Brussels has helped with its comprehensive support.

The dialogue between Europe and the USA has gained in breadth and depth. Visits at top political level have emphasized the vital importance of closer and more trusting transatlantic relations. The Americans are talking about the "new quality", of the dialogue.

On trade relations, we have managed to make headway in important sectors. I am pleased that the US Government has affirmed its commitment to free world trade as regards the new trade bill.

It has been confirmed: the USA too welcomes a Europe that speaks with one voice and shoulders responsibilities.

Together with the USA and Japan, the European Community bears a special responsibility for maintaining free world trade and eliminating protectionism.

The GATT Uruguay Round has to be a success.

The Community has been geared to the world market since it was founded. As internal Community barriers fall, we must not erect any new barriers at our external frontiers.

I therefore welcome the decisions of the ministerial meeting with the EFTA countries at the beginning of February and the new negotiations on the mutual dismantling of trade barriers. They are bringing us closer to the goal of a large European economic area.

The European Community is the centrepiece of the union of European democracies. It is progressing towards European Union not in isolation from the outside but in the widest possible community with

Europe. We are aiming at a vast European economic area. We have stepped up the regular political dialogue between the Twelve and Norway, Austria and Malta — as well as with Canada — and placed it on a formal basis. Contacts with other countries of the Council of Europe as well as with the Council of Europe itself have been close and fruitful.

Encouraging changes in East-West relations are opening the way for fundamental improvements in the situation in Europe. Three days ago in Luxembourg, the Foreign Ministers of the Twelve emphasized that this process must maintain its impetus. The meeting of President Reagan and General Secretary Gorbachev in Moscow represented a further step towards more permanent, closer East-West relations.

The INF Treaty opens the way to the elimination of a serious threat to Western Europe. Further significant progress in all the other arms control negotiations must follow.

The Geneva Afghanistan Agreement is the first instalment in the repayment of a large outstanding debt in international relations. Other regional conflicts urgently require a negotiated solution.

The Community trusts that the changes taking place in the Soviet Union and Eastern Europe will lead to an opening up of the political systems.

We are anxious to make constructive use of the resulting possibilities for lasting improvements in East-West relations.

The Joint Declaration of the European Community and the Council for Mutual Economic Assistance, which has already been initialled and is to be signed in Luxembourg on 25 June, establishes reciprocal official relations after years of arduous negotiations (→ point 1.5.1 *et seq.*). The Community trusts that the establishment in parallel of official relations as scheduled, as well as the conclusion of agreements between the Community and Member States of the CMEA, will soon become a reality.

Economic cooperation creates trust, common interests and stability. The Twelve have made every effort to advance the CSCE negotiations in Vienna. In Luxembourg we again confirmed the goal of our negotiations as being the conclusion of a substantial, balanced, final document. We want significant progress in all three baskets, particularly with respect to the human dimension. We appeal to all still hesitant participant States to take constructive negotiating steps.

The Twelve have done substantial preparatory work to achieve progress on the central problem of European security as well: we want early nego-

tiations to establish a stable balance of conventional forces at a reduced level in Europe and on further confidence- and security-building measures.

I had promised this House that I would continue with my colleagues the talks we began in January on improved coordination with respect to security policy and that I would report on the progress made.

In Constance the 12 Foreign Ministers confirmed their will to develop the security-policy dimension of the Community by exploiting all the possibilities under the Single European Act. The Presidency acted decisively on the basis of that consensus.

At the beginning of June, at the third United Nations special session on disarmament, I stressed on behalf of the Twelve our determination to take advantage of the improved atmosphere in East-West relations to make substantial progress in disarmament and arms control. Before the end of the year we hope for an agreement on the halving of the nuclear strategic offensive capability of the USA and the USSR.

A lasting consolidation of the strategic stability between the Great Powers is in the security interests of all States. We vigorously support the efforts of the Geneva Disarmament Conference to achieve agreement on a comprehensive, verifiable, worldwide ban on chemical weapons. That is the only way of effectively putting an end to the proliferation of this atrocious type of weapon. 1988 must be the year of negotiations on conventional stability. The major obstacle to our security is conventional imbalance in Europe, the Eastern bloc's superiority in the conventional sphere.

The German Presidency has also made progress on the economic aspects of security. In discussions on international non-proliferation arrangements and on the peaceful use of atomic energy, there was agreement on our proposal that the efforts of the Twelve to improve the international nuclear responsibility system should be harmonized. We have had open and critical discussions of bilateral nuclear relations with countries in sensitive regions of the world. A meeting of experts was held on the prevention of the illegal arms trade. The task remains to make progress with drawing up common guidelines on the part of the Twelve for arms exports. The Twelve have continued their efforts to agree on measures in the sphere of export controls to prevent the misuse of chemical substances and plant for the production of chemical agents. These positive beginnings must be built on with determination.

Security means defence capability but also disarmament and arms control, the elimination of

causes of tension through dialogue and cooperation, a balancing of interests between North and South. A worldwide peace policy will at the same time give Europe additional security.

In the last six months the Community has again demonstrated that it is aware of its responsibility for peace.

In crisis regions it has a stabilizing, peace-promoting influence.

The Arab-Israeli conflict has entered a new critical phase as a result of the unrest in the Occupied Territories. The Twelve are using their best endeavours to contribute to a peaceful solution. The conflict was a major issue at the Foreign Ministers' meetings in Bonn and Luxembourg. The principles already contained in our Venice Declaration of 1980 have proved correct:

A just and lasting solution must reconcile Israel's right to existence and right to secure borders with the right of the Palestinian people to self-determination without the use of force.

The Twelve call for the convening of an international peace conference under the aegis of the United Nations. That is the appropriate forum for negotiations between the parties concerned... The Twelve are supporting all efforts towards a peaceful solution.

The Twelve deplore the repressive measures Israel is employing in the Occupied Territories as an infringement of international law and human rights. We have made this very clear in our public pronouncements.

At the Cooperation Council meeting with Israel on 24 May, the situation was seriously discussed with Foreign Minister Peres. The Community is determined to work towards improved living conditions for the population of the Occupied Territories through direct imports and the encouragement of development projects.

I appeal once again to this House to approve the Additional Protocol to the Cooperation Agreement with Israel and thus contribute towards constructive developments in the Middle East.

The war in Lebanon is causing growing hardship and senseless bloodshed. Nationals of our States are still held hostage. A political solution is more urgent than ever. A precondition of such a solution is the restoration of constitutional order and unity within Lebanon and a just balance of interests between the various groups making up the population. In Luxembourg, the Foreign Ministers of the Twelve appealed to all concerned to guarantee the orderly holding of the coming presidential elections.

The Iran-Iraq war, which has lasted for almost eight years, must end. The Twelve have again appealed to both sides to end the fighting, observe international law and cease disrupting international shipping. We have condemned in the strongest possible terms the renewed use of gas in warfare.

Vis-à-vis the Arab States too the Community has been pursuing its successful policy of regional cooperation. On 15 June 1988 in Luxembourg, with the signing of the Cooperation Agreement, the European Community and the Gulf Cooperation Council laid the foundations for even closer economic cooperation and regular political dialogue (→ point 2.2.39).

After years of stagnation, it proved possible during our Presidency to give new impetus to the Euro-Arab Dialogue. A joint Euro-Arab Foreign Ministers meeting in the "troika" format will be held for the first time on 24 June in Bonn.

In South Africa the main objective of the Twelve's policy is to defeat apartheid by peaceful means. The latest steps taken by the South African Government to outlaw the anti-apartheid organizations show that Pretoria is still shirking the inevitable political dialogue. The Twelve have emphatically condemned these bans and have demanded their withdrawal. In addition we have made a number of vigorous representations against the plans to exclude anti-apartheid organizations from foreign assistance. In that way positive measures to help the black majority, which constitute a central feature of our policy on South Africa, would be made more difficult or impossible.

Apartheid is a constant infringement of human rights. The Twelve have intervened in a whole range of individual cases to safeguard human rights in South Africa.

The destabilizing policy South Africa adopts towards the front-line States, particularly Angola and Mozambique, must cease and Namibia must be given its independence on the basis of Security Council Resolution 435. We trust that the talks which have taken place in recent weeks on Angola and Namibia, and between South Africa and Mozambique too, will help this process.

The Twelve continued the political dialogue with the ACP States on 25 April in Luxembourg with a wide-ranging exchange of views on the situation in South and southern Africa.

The meeting of the ACP-EEC Council of Ministers in Mauritius took place against the background of the need further to develop relations with the ACP States in the light of new world economic circumstances.

Hunger and economic need in Africa remain a challenge to Europe. The Community has pressed on with its aid programme for Ethiopia, the Sudan and other countries, particularly in the Sahel region.

Central America is a focal point of the Community's peace efforts. At the San José IV Conference in Hamburg,¹ we encouraged the Central American States to continue along the path outlined in the Esquipulas II Agreement in August 1987. Our Central American partners stressed the importance of such support for their efforts. We hope that it will be possible for the process initiated by President Arias to be brought to a successful conclusion.

The Community wishes to give its intellectual and material support to the Central American Parliament, a future regional forum for political debate. It is prepared for long-term economic cooperation and will step up its assistance with the reintegration of refugees and with food aid. It also outlined its readiness in principle to support the Central American plan of action for the economic reconstruction of the region.

The meeting of the Foreign Ministers of the Twelve in Hamburg on 1 March 1988 with the eight Latin American democracies of the Rio Group added a further political dimension to relations with Latin America.

Active shaping of the partnership with Asia was a fundamental preoccupation of our Presidency. Asia's importance is increasing significantly and at a rapid rate. It is moving closer to us in political and economic terms.

An illustration thereof was the successful seventh EEC-Asean Foreign Ministers' meeting in Düsseldorf, the visits to Europe by the Japanese and Indian Prime Ministers, and the "troika" consultations with Japan and India.

The Geneva Afghanistan Agreement is an important step towards the restoration of peace within and outside an independent non-aligned Afghanistan. But lasting peace will come to Afghanistan only if the departure of Soviet troops goes hand in hand with the voluntary repatriation of refugees and the formation of a government which unites the entire Afghan people rather than divides it. Eight years of war have left deep wounds. The

Twelve are ready to help with the repatriation of refugees and the rebuilding of Afghanistan.

The Community Foreign Ministers, with their colleagues from the Asean countries, confirmed at their meeting in Düsseldorf their will to encourage a political solution to the Kampuchean question. An essential prerequisite is the withdrawal of Vietnamese troops from Kampuchea. The Twelve and Asean will support the efforts of Prince Sihanouk. They trust that the talks sought by the Asean States between all parties, including Vietnam, will soon take place.

The defence of human rights worldwide is one of the fundamental tasks to which this House and the Community have devoted all their energies. The German Presidency has forwarded to you a memorandum on our activities in this area. Wherever necessary, we intervened to help those concerned.

The terrorist attacks in the first half of 1988 strengthened the determination of the Twelve to intensify close cooperation within the EPC framework on combating terrorism.

The Community of Twelve's presence worldwide is attested to by its united front in international institutions and at international conferences, in its common representations abroad and common solutions to the multifarious, frequently complex problems abroad. Here too we have made progress and have shown encouraging signs of increased European solidarity.

On 27 and 28 June the 39th meeting of the European Council will take place in Hanover. The German Presidency would like this European Council to be a European Council in the traditional sense again. The Heads of State or Government will have no unresolved details to discuss. They will be able to give their full attention to the priorities and prospects for European integration.

Let no one underestimate the new Europe, with its inner dynamism and its invigorating creative power. The great new challenges of science, technology and industry require new thinking and action on a broader plane. Together we can meet these challenges. Together we can look forward with confidence to developments in the years to come.'

¹ Bull. EC 3-1988, point 1 2 1 *et seq.*

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