

Bulletin

OF THE EUROPEAN
COMMUNITIES

Commission

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No 7/8 1985

Volume 18

The Bulletin of the European Communities reports on the activities of the Commission and the other Community institutions. It is edited by the Secretariat-General of the Commission (rue de la Loi 200, B-1049 Brussels) and published eleven times a year (one issue covers July and August) in the official Community languages, Spanish and Portuguese.

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The following reference system is used: the first digit indicates the part number, the second digit the chapter number and the subsequent digit or digits the point number. Citations should therefore read as follows: Bull. EC 1-1985, point 1.1.3 or 2.2.36.

Supplements to the Bulletin are published in a separate series at irregular intervals. They contain official Commission material (e.g. communications to the Council, programmes, reports and proposals).



Bulletin

OF THE EUROPEAN COMMUNITIES

ECSC — EEC — EAEC
Commission of the European Communities
Secretariat-General
Brussels

No 7/8
1985
Volume 18

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PART ONE

SPECIAL FEATURES

Bulletin information service

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References in text and footnotes

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

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

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

ECU = European currency unit

BFR = Belgische frank / Franc belge

DKR = Dansk krone

DM = Deutsche Mark

DR = Greek drachma

FF = Franc français

HFL = Nederlandse gulden (Hollandse florijn)

IRL = Irish pound / punt

LFR = Franc luxembourgeois

LIT = Lira italiana

UKL = Pound sterling

USD = United States dollar

1. Institutional reform

Convening of the intergovernmental conference

1.1.1. At its meeting on 22 and 23 July the Council delivered a favourable opinion on the convening of a Conference of Representatives of the Governments of the Member States, after receiving the opinions of Parliament and the Commission.

This conference has been convened by the Council President. The first meeting will be held on 9 September.

Background

1.1.2. On 14 February 1984 Parliament, at the initiative of Mr Altiero Spinelli, adopted by a large majority a draft Treaty establishing the European Union,¹ which has been presented to the parliaments and governments of the Member States. This draft was broadly based on the Commission's 1975 Report on European Union.

In response to Parliament's initiative, President Mitterrand told Parliament on 24 May 1984 that France was willing 'to examine and defend your project, the inspiration behind which it approves' and suggested preparatory consultations, perhaps leading to a conference of the Member States interested.²

1.1.3. The European Council, meeting at Fontainebleau on 25 and 26 June 1984, decided to set up an *ad hoc* Committee on Institutional Affairs, consisting of personal representatives of the Heads of State or Government of the Member States and the President of the Commission.³ The Committee was 'to make suggestions for the improvement of the operation of European cooperation in both the Community field and that of political, or any other, cooperation'.

1.1.4. The *ad hoc* Committee, chaired by Senator James Dooge, submitted an interim report to the Dublin European Council in

December 1984⁴ and presented its final report to the European Council on 19 March this year.⁵ This report sets out measures for strengthening both policies and institutions and suggests a way of achieving these reforms (an intergovernmental conference to negotiate a draft European Union Treaty). Some members of the Committee entered reservations or made comments on some points of the report, but a large majority unreservedly endorsed all the proposed reforms.

1.1.5. At the European Council held in Brussels on 28 and 29 March 1985 there was an exchange of views on the Dooge Committee report, and the Council agreed that detailed examination of the Committee's proposals would continue by means of bilateral contacts, so that the European Council could arrive at final conclusions at its next meeting in Milan.⁶

1.1.6. On 21 May Italy (presiding over the Council) then submitted a draft brief for the intergovernmental conference which involved negotiating a treaty for the gradual completion of European Union. In response to this initiative, the Netherlands Government proposed that the main aim of the conference be to revise the EEC Treaty in accordance with Article 236 and to draw up a protocol to the Treaty to consolidate and institutionalize political cooperation.

The brief for the conference was discussed by the Foreign Ministers at their informal meeting in Stresa on 8 and 9 June,⁷ when the British Government submitted a document on the decision-making process (modifications not requiring changes in the Treaty) and a draft agreement on political cooperation.

¹ Bull. EC 2-1984, point 1.1.1 *et seq.*

² Bull. EC 5-1984, point 3.4.1.

³ Bull. EC 6-1984, point 1.1.9 (section 7).

⁴ Bull. EC 11-1984, point 3.5.1.

⁵ Bull. EC 3-1985, points 2.4.3 and 3.5.1.

⁶ Bull. EC 3-1985, point 1.2.9.

⁷ Bull. EC 6-1985, point 2.5.2.

1.1.7. Other initiatives were forthcoming just before and during the European Council meeting in Milan on 28 and 29 June 1985:

- (i) a French memorandum on progress in European integration,
- (ii) a Franco-German draft Treaty on the European Union,
- (iii) a British paper on the role of the European Parliament,
- (iv) a German paper concerning the conclusion of a Treaty on the European Union.

1.1.8. The Commission, which had played an active part in the work of the Dooge Committee and the preparations for the European Council in Milan, supported the idea of an intergovernmental conference as requested by Parliament and proposed in the Doog Committee report. But without waiting for this overall reform, the Commission proposed at the European Council meeting a limited amendment to three provisions of the EEC Treaty when the Treaties of Accession of Portugal and Spain were ratified. The object was to render decision-making more democratic and efficient. The amendments concerned Article 57(2) (freedom of establishment in the professions), Article 99 (harmonization of indirect taxation) and Article 100 (harmonization of legislation). One proposal was that the unanimity required in the Council should be replaced by a qualified majority when a majority of the members of Parliament had backed a Commission proposal. The other was to give the Commission, assisted by an advisory committee, greater executive powers.

When the European Council tended to favour convening an intergovernmental conference, the Commission withdrew this proposal, which it had made in the belief that a decision could be taken straightaway in the context of enlargement.

1.1.9. The Milan European Council held a wide-ranging discussion of institutional questions and, in particular, considered the idea of convening an intergovernmental

conference.¹ At the end of this discussion the President noted that the majority required by Article 236 of the EEC Treaty² was in favour of convening an intergovernmental conference to draw up

- (i) a treaty on a common foreign and security policy,
- (ii) the amendments to the EEC Treaty, in accordance with Article 236, required for the implementation of the institutional changes concerning the Council's decision-making procedure, the Commission's executive powers, the powers of Parliament and the extension to new areas of activity.

1.1.10. In accordance with the procedure laid down in Article 246 EEC the Luxembourg Government submitted on 2 July a proposal for the revision of the EEC Treaty, in the following terms:

'A revision of the Treaty establishing the European Economic Community should be undertaken with a view to

- improving the Council's decision-making procedures,
- strengthening the Commission's executive power,
- increasing the powers of the European Parliament,
- and extending Community policies to include new areas of activity.

These amendments should be based on the proposal made by the Dooge Committee and the Adonnino Committee and also on certain aspects of the Commission proposal concerning freedom of movement of persons.'

¹ Bull. EC 6-1985, point 1.2.2.

² 'The Government of any Member State or the Commission may submit to the Council proposals for the amendment of this Treaty. If the Council, after consulting the Assembly and, where appropriate, the Commission, delivers an opinion in favour of calling a conference of representatives of the Governments of the Member States, the conference shall be convened by the President of the Council for the purpose of determining by common accord the amendments to be made to this Treaty. The amendments shall enter into force after being ratified by all the Member States in accordance with their respective constitutional requirements.'

Parliament's opinion

1.1.11. Even before being formally consulted by the Council, on 9 July Parliament delivered an opinion in favour of convening an intergovernmental conference.¹ In its resolution Parliament insisted that it should participate on an equal footing with the Conference of Representatives of the Member States in drawing up and approving the draft Treaty before it was submitted to the Member States for ratification. It also insisted that real reform of the Community and of political cooperation requires a treaty encompassing all Community policies and the institutions needed to implement them in an efficient and democratic manner.

The Commission's opinion

1.1.12. Consulted by the Council at its 22 and 23 July meeting, the Commission delivered a favourable opinion on the convening of an intergovernmental conference with a view to amending and expanding the EEC Treaty.² It emphasized the need for a unified institutional framework for Community and political cooperation activities—one Council, one Parliament, one Commission—which alone would prove effective and speed progress towards European Union. For this reason it wanted a single conference to deal with all these problems. It also requested that Parliament should be closely involved in the work of the conference.

'The Commission of the European Communities, Having regard to Article 236 of the EEC Treaty,

Having regard to the proposal for amendments to the Treaty establishing the European Economic Community presented by the Luxembourg Government to the Council of the European Communities by letter dated 2 July 1985,

hereby delivers the following opinion:

1. The European Council in Milan on 28 and 29 June 1985 decided to convene a conference of representatives of the Governments of the Member States to draft the provisions needed to achieve concrete progress on European Union with regard

to a common foreign and security policy, changes to be made to the decision-making process and the inclusion of new spheres of activity in Community competence.

Following this decision the Luxembourg Government presented a proposal for amendments to the Treaty establishing the European Economic Community to the Council of the European Communities.

2. The Commission naturally supports the convening of an intergovernmental conference. This initiative is a logical extension of the process set in train many years ago which prompted production by the European Parliament of its draft Treaty establishing the European Union and presentation of a report by the *ad hoc* Committee for Institutional Affairs set up by the European Council at Fontainebleau in June 1984. As agreed by the European Council in Milan it is necessary, in the general context of transition to European Union, to make fresh progress not only on economic and social integration but also on foreign policy. Indeed, the fact that the two form an indivisible whole should be recognized by incorporating the proposed new provisions in a single framework.

3. The proposed institutional changes should strengthen the democratic base of the European venture through increased involvement of the European Parliament, using procedures designed to facilitate rather than complicate decision making. This was the tenor of the suggestion the Commission made to the European Council in Milan.

A second series of amendments should concentrate on the Council and the Commission. The Community today finds it difficult to take decisions or takes them too late. If it is to face up to the challenges of the modern world the Community, as proposed by the Luxembourg Government, must improve decision making within the Council (notably by extending majority voting) and give the Commission increased executive powers.

The years have also revealed the need for reform in another area: if the Community is to achieve its allotted aims and live up to the expectations of the people of Europe, Community competence must be defined and, in certain instances, extended. Firstly, the Community should be in a position to press ahead with implementation of the policies provided for by the Treaties even if the aims of action taken are not exclusively economic (the obstacles to the creation of a people's Europe could, for instance, be removed). Secondly, the Community should be in a position to pro-

¹ OJ C 229, 9.9.1985.

² COM(85) 455 final.

mote—in areas such as human rights, education and the arts—the shared values which are an essential ingredient of European identity.

4. Efforts to consolidate, strengthen and widen cooperation between the Member States on common foreign and security policy (the expression used in the Milan communiqué) must draw on the experience of fifteen years of political cooperation.

5. If there is a genuine desire to move towards European Union, it is imperative that the two areas of activity be combined. Otherwise fresh obstacles will be created, multiplying possible sources of conflict and weakening the potential and dynamism of the Community established by the Treaties of Paris and Rome. Realistic conditions for osmosis between economic, social, financial, and monetary affairs on the one hand and foreign policy on the other must be established.

At the end of the day only unified institutions—one Council, one Parliament, one Commission—will prove effective and speed progress towards European Union.

6. The step-by-step approach adopted to establish the common market should be emulated by those drafting the proposed new provisions. What is essential, however, is that the conference should define objectives with the clarity and courage the current situation requires in the interests of European integration.

7. The objectives and principles endorsed by the Commission colour its view of how the conference should conduct its business.

If Community and political cooperation activities are to remain within a single institutional framework, it is essential that a single conference deal with both.

If the objectives set in Milan are not to be compromised, discussions must proceed at a steady pace and representatives of the Governments of the Member States attending the conference must be in a position to devote the necessary time and energy to the exercise. A time limit must be put on discussions so that the European Council in Luxembourg can debate the findings of the conference and take decisions.

Finally, the European Parliament should be closely involved in the work of the conference and consulted on the outcome.

8. In conclusion, the Commission, subject to the observations set out above, hereby delivers a favourable opinion on the convening of a conference of representatives of the Governments of the Member States with a view to amending and expanding the Treaties establishing the European Communities. Only if the conference completes its

business rapidly can the Community, without more ado, channel all its energies into accomplishing the priority tasks it has assigned itself.

9. The Commission will present proposals on all areas covered by the conference in due course.'

Mr Delors, the Commission President, and Mr Ripa di Meana, the Member with special responsibility for institutional questions, will take political responsibility for the work and will represent the Commission at the conference's ministerial-level meetings, sharing the tasks between them. The Commission is resolved to play an active role and to take all the initiatives likely to lead to the successful outcome of this new development in the history of Europe.

The Council's opinion

1.1.13. At its meeting on 22 and 23 July the Council delivered an opinion in favour of calling a Conference of the Representatives of the Governments of the Member States. This conference, called by the Council President, would take place at Foreign Minister level. The Commission would participate fully in the conference, and Spain and Portugal would also be represented. The first meeting would be held in Luxembourg on 9 September. A working party was instructed to prepare its proceedings concerning the revision of the EEC Treaty. Most Member States would be represented by their Permanent Representative, and the working party would be chaired by Mr Dondelinger, Secretary-General at the Luxembourg Ministry of Foreign Affairs. The Political Committee, consisting of the Political Directors of the Ministries of Foreign Affairs, was instructed to draw up the text of a draft treaty concerning political cooperation with a view to a common foreign and security policy.

The conference would submit its conclusions on all these points to the European Council meeting in December.

'1. The Council of the European Communities, Having regard to the conclusions of the European Council meeting in Milan with a view to making tangible progress towards European Union,

Having regard to Article 236 of the EEC Treaty,

Having regard to the proposal for the amendment of that Treaty submitted to the Council by the Government of the Grand Duchy of Luxembourg in a letter dated 2 July 1985,

Having regard to the Opinion delivered by the European Parliament on 22 July 1985,

Having regard to the Opinion delivered by the Commission on 22 July 1985,

Has decided to deliver an opinion in favour of calling a Conference of Representatives of the Governments of the Member States for the purpose of determining by common accord the amendments to be made to the EEC Treaty.

2. The President of the Council, in accordance with Article 236(2), accordingly convenes a Conference of Representatives of the Governments of the Member States to examine the proposal submitted by the Luxembourg Government on 5 July 1985. This conference, which will take place at Minister for Foreign Affairs level, together with a Commission representative, will meet in Luxembourg on 9 September. Spain and Portugal will be represented at this Conference.

The Secretary-General will make the necessary arrangements to provide the secretariat for the Conference.

3. The Ministers for Foreign Affairs instruct a Working Party to prepare its proceedings concerning the revision of the Treaty. Each Member State will appoint its representative to the Working Party. The Chairman will be designated by the President of the Conference.

4. The Ministers for Foreign Affairs instruct the Political Committee to draw up by 15 October 1985 the text of a draft treaty on the basis in particular of the Franco-German and United Kingdom drafts concerning political cooperation with a view to a common foreign and security policy.

This draft will be considered by the Ministers for Foreign Affairs meeting for the purpose within the Conference convened under 2 above.

5. The Ministers will submit their conclusions on all these points to the European Council meeting in December 1985.¹

1.1.14. Meanwhile, following the European Council meeting in Milan, work has started within the Council on the adjustments that can be made to the operation of the institutions without amendment of the Treaty in order to improve the Council's decision-making procedure, strengthen the Commission's management role and enhance Parliament's powers.

2. Perspectives for the common agricultural policy

Commission Green Paper

1.2.1. On 23 July the Commission sent to the Council and to Parliament a Green Paper entitled 'Perspectives for the common agricultural policy'.¹ This consultative document, which takes account of the basic principles on which the CAP is built and reforms approved in recent years, follows a thorough review of the agricultural situation.

It is designed to provide the framework for a dialogue between the Community institutions and with agricultural organizations with a view to defining the outlook for Community agriculture.

When it presented its 1985/86 price proposals to the Council last January² and its

¹ COM(85) 333 final; Newsflash, *Green Europe*, No 33, July 1985, Brussels.

² OJ C 67, 14.3.1985; Bull. EC 1-1985, point 1.2.1 *et seq.*

1985 programme in March,¹ the Commission had already stated that it was aware that if 'the common agricultural policy, while respecting Article 39 of the Treaty, failed to offer a better future to the next generation, its "renationalization" would be inevitable, with all the damage this would be bound to inflict on the process of European integration.'

1.2.2. The Green Paper presents a number of basic choices relating to the future development of the agricultural policy. The Commission calls upon the other institutions and agricultural organizations to make their own suggestions and comments in coming months.

The Commission stresses that this paper in no way anticipates its final conclusions, and that it will give fullest consideration to the views expressed during the consultations. It also stresses that the document is, of its nature, supplementary and selective—supplementary in that it follows up and adds to the line of reflection already pursued by the preceding Commission, and selective in that it endeavours to pinpoint the main fields in which policy choices must be taken, although this does not mean that other aspects of the policy can be neglected.

In its consultations the Commission also intends to include the views of Portugal and Spain, which are due to join the Community on 1 January 1986; the general discussion on the CAP must allow for this new dimension.

The real problem

1.2.3. The common agricultural policy is fundamental to the process of European integration. It was in this sector, from 1962 onwards, that a profound effort towards economic integration was commenced by the original six Member States, in parallel with the creation of a common market in industrial goods. In this sense, the CAP was and remains part of the 'marriage contract' of the European Community; it was accepted by the new members who joined the Community in 1973 and 1981, and will

be adopted by the members who are to join in 1986.

However, given the changes the CAP has undergone since its inception and developments in the general European economy and in world trade, the Community must now consider whether it wishes to maintain a substantial number of workers on the land or not. In fact, to this question there can only be one reply. The need to maintain the social fabric in rural areas, to conserve the natural environment and to safeguard a landscape created by two millennia of farming are factors militating overwhelmingly in favour of the major social option for a 'green Europe' which protects jobs for those in agriculture while at the same time serving the long-term interest of all of Europe's citizens. If the Commission's choice is endorsed by the other Community institutions, the challenge which must be faced is how to ensure the maintenance of a significant number of persons in agriculture by methods which do not involve an unacceptable waste of economic and financial resources. Agriculture, like the rest of the economy, is subject to the laws of supply and demand. A persistent build-up of surpluses, generated by market and price disequilibria, is not a satisfactory option for the CAP. The Community's role as an exporter of agricultural products cannot be enhanced if exports are merely the forced disposal of unwanted surpluses; nor can the problems of the Third World, in which millions still go hungry, be properly solved in the long term by the agriculture of the developed countries.

Diversification of the instruments of the CAP, by the use of supplementary mechanisms involving both the market organizations and the socio-structural objectives of the policy, should be achieved in accordance with the basic principles (a single market, Community preference and financial solidarity) and without abandoning the reforms agreed by the Council from 1982 to 1984

¹ Supplement 4/85 — Bull. EC, point 73.

(restrictive policy on prices, guarantee thresholds, etc.).

The need for perspectives

1.2.4. There is no 'miracle' solution to the problems besetting Community agriculture. But there are possibilities which can be exploited, provided that the agricultural sector is prepared to face the challenge. The purpose of the consultative document is to indicate a number of the options which can be considered:

(i) *With regard to production.* Although there are difficulties on a number of markets, entailing reforms of the market organizations, the sector most urgently in need of review is that of cereals. At the same time, the possibilities of alternative production have been considered, with a view to promoting existing and even novel crops. Although measures to bring the hierarchy of prices into better equilibrium could well facilitate these developments, budgetary resources may also be needed.

(ii) *With regard to outlets.* The development of modern technology is leading to new uses for agricultural products, notably for industrial and energy purposes. The analysis in the Green Paper shows that there is a potential for increased demand, but that in present conditions its scope is still limited, and there are major problems in connection with financing. In this context, the paper also considers the Community's role in agricultural trade, where a number of options should be considered; it is obvious that exports must be competitive, and here the question of the financial co-responsibility of farmers also arises.

Diversifying the instruments of the CAP

1.2.5. So far, a key feature of the CAP has been its emphasis on price support, and this is reflected in the share of EAGGF spending accounted for by guarantee operations. The disequilibrium between price support and other measures was not intended when the

CAP was originally framed, and it has resulted in the policy using one main instrument for the achievement of a range of objectives. Now that the limits of this approach have been reached, the question inevitably arises what supplementary instruments could usefully be developed.

Major steps have been taken recently in this direction with the Council's decisions concerning the new policy on agricultural structures¹ and the integrated Mediterranean programmes.² Further in-depth study is now needed on ways and means of ensuring that the place of agriculture in society can be better assured. The need for this study is all the greater because a restrictive policy on prices if pursued by the Council is bound to affect farm incomes and because the accession of Portugal and Spain involves a particular challenge.

The Community must ensure that the social and economic conditions of farmers and farm workers do not suffer from these developments, and that the social fabric of the rural areas is not destroyed by a steady drift from the land. In some areas, jobs in farming and farming itself, if necessary supported by subsidies, are the only way of ensuring that the countryside does not become a wilderness. The maintenance of a significant number of persons in farming is not, however, incompatible with the development—which should be encouraged—whereby some of their income accrues from other sources (part-time farming). This is why the Commission paper presents a number of options concerning the following fields:

(i) *the role of agriculture as a protector of the environment:* if the farm sector were prepared to accept new disciplines in this context, society should grant the necessary funds;

(ii) *an improved integration of agriculture in regional development:* agricultural policy alone cannot solve all the problems farmers

¹ OJ L 95, 2.4.1985; OJ L 93, 30.3.1985; OJ L 86, 27.3.1985; Bull. EC 3-1985, point 2.1.111 *et seq.*

² OJ L 197, 27.7.1985; Bull. EC 6-1985, point 2.1.89.

have to contend with; the contribution other policies can make must therefore be considered: agricultural policy must be seen in the wider context of overall policy for the countryside;

(iii) *direct income aids to farmers*: in the context of a restrictive policy on prices, supplementary action in the form of income aids must be contemplated; an income aid system and regional development measures designed to create other opportunities for incomes in agriculture would tend to complement one another; in the absence of a more dynamic regional policy, the need for specific aid to incomes in the farm sector would be even greater.

The need for choices

1.2.6. The acceptance of the constraints of a more market-oriented policy, which in any case is largely imposed upon the Community by the realities of economic life, could release financial resources for the development of new instruments of agricultural policy. As regards outlets on the internal and external markets of the Community, there is also the question of a possible financial participation by producers.

But a number of choices will have to be made, allowing for the fact that CAP expenditure must keep within the limits set by the financial guidelines, which means that agricultural expenditure cannot be permitted to grow as fast as the Community's own resources. Therefore, if the Community were to embark on new types of expenditure to support agriculture (e.g. income aids) or to increase significantly present types of expenditure (e.g. disposal subsidies), then corresponding savings would have to be made elsewhere. Among the options submitted for consideration in the discussion, some are more fundamental than others: policy on prices and markets, external trade and the need to support incomes.

**A fundamental choice:
policy on prices or quantitative
restrictions**

1.2.7. Given the swift pace of technical progress and the slow rate of expansion

of effective demand, better control of the growth of agricultural production in the Community must be achieved. This means a realistic policy on prices, emphasizing the economic function of this policy. It is true that policy on prices has not always been consistent, but the vicissitudes of the past 15 years do show:

(i) that price adjustments (including any real reductions under a restrictive policy) must be such as to give clear signals to farmers; action must be strong enough not to be outweighed by technical progress;

(ii) that although in the short term, in limited cases, the effect of this may be to step up production, the overall outcome of lower prices is a lower rate of increase in production; however, there may be a time lag of several years before a market-oriented price policy takes full effect; this is why it must be pursued consistently over a fairly long period of time.

If these two conditions are not fulfilled, there is a serious risk that the policy on prices will not in fact affect production at all.

The advantages of a quota system lie in its immediate impact on production and the possibility it should offer of relieving the Community budget of the cost of disposing of output exceeding certain levels. For milk, the quotas were seen as a 'lesser evil' compared with the alternative, which would have consisted in reducing farmgate prices by up to 12%. The disadvantages of the quota system include the problems of negotiating, managing, monitoring and reviewing the quotas, and the freezing of production structures, which inhibit productivity gains and prevent regional specialization in the Community. Quotas create 'economic rent' situations in that they confer a 'right to produce', and also involve the risk of renationalization.

**Exports: the Community's
responsibility and the farmer's
responsibility**

1.2.8. The Community has been playing an increasing role in world trade in agricul-

tural products, and it therefore has a responsibility to the world market, on which it has become the leading exporter of milk products and beef/veal, the second exporter of cereals and sugar, and is also a leader for wine, spirituous beverages and processed products. This situation reflects the maintenance of an export system introduced at a time when the Community normally had deficits for most agricultural products.

Since the Community has become, in structural terms, at net exporter of most of its main products, the unlimited maintenance of export refunds has meant that exported products enjoy the same price and disposal guarantees as products marketed within the Community. The gap between world prices and Community prices, and the export risk, have thus been accounted for entirely from the Community budget. At the same time, Community farmers have been insulated from price movements on world markets, which have therefore not influenced their production decisions, although a growing share of Community production is in fact exported.

If it is Community policy to maintain a substantial involvement in world exports of agricultural and food products, and if exports can be the expression of a real export policy, present machinery must be reviewed. In so far as the Community remains or becomes a heavier net exporter, in structural terms, a growing proportion of the risks connected with exports may have to be assumed, in one form or another, by the farmers themselves.

Imports: more balanced external protection?

1.2.9. The Community arrangements for agricultural imports are based on protection by variable levies for the main traditional Community products and little or no protection in the case of products of which the Community produces far less than it needs.

If the system were to be reformed, it might be possible to agree on a trade-off between

high protection and low protection, without increasing the general average level of protection of Community agriculture. This would involve difficult international negotiations because raising some of the 'bound' low or zero levels of protection could well affect certain countries which would have little to gain from the lower levels of protection of other products the Community would be offering in return. Nor must it be forgotten that the adjustments entailed to achieve a framework of external protection more balanced than the present arrangement would have a varying impact on the various types of production within the Community. For this reason, too, any change serving to restore the balance of external protection, however desirable, must also be gradual.

The need for income support

1.2.10. The adjustments to the agricultural policy could well create a new situation to which European farmers would have to adapt. To support this, the most coherent and rational solution in the medium and long term would seem to be:

- (i) facilitating structural adjustments in the agricultural sector;
- (ii) promoting alternative products and new uses for agricultural products in order to create alternative income and employment possibilities in the sector;
- (iii) stimulating the development of the economic environment in rural areas in order to create additional income and employment possibilities outside the sector.

Measures to attain these objectives would have to be taken now. However, many of them would be in the nature of 'investments', i.e. their full impact would only be felt after a number of years. Also, there may be a number of regional situations where the scope for creating alternative employment is very limited or would be very costly, but where farming on a permanent basis is needed to conserve and protect the countryside and to maintain a minimum desirable economic and social fabric.

The Commission suggests possible answers to these problems through direct aids to income. Although they are presented in various forms, the options could be combined or adapted to the various situations in European farming. For direct aids to incomes, the Commission emphasizes that great care would have to be taken to keep, as far as possible, such schemes neutral with respect to production and compatible with policy concerning the markets. Special attention would also have to be paid to the practical administrative aspects if such schemes were to be introduced.

Four fundamental types of aid scheme are suggested as a basis for discussion in the relevant chapter of the Green Paper: an early retirement scheme, a scheme comprising a structural policy component, a social approach, and a buying-out scheme for environment protection purposes.

When it referred to the possibility of income aids in its July 1983 document,¹ the Commission had already recommended that some or all of such aids might be financed from the Community budget.

The Community must be involved, since:

(i) the income support provided by the CAP would be partly transferred from the support by the market organizations to that of direct aids to incomes;

(ii) in any case, Community financing is a necessary adjunct to Community rules and criteria, so that conditions of free compe-

tion in agriculture and in the Community can be preserved;

(iii) for aids paid to protect the environment, such schemes would be organized in the Community interest as much as in that of the Member States or of the regions.

It is inconceivable that the Community should not take part, since, for several countries, agriculture has been a key factor in their involvement in the Community enterprise. The Community contribution would have to be fixed in the light of general budget restrictions and budget needs in other areas of Community activity. Different approaches should be studied, such as the variation of the Community contribution in the light of the situation in agriculture in the various Member States and in the light of their financial capacity. Such variation should always reflect the principle of financial solidarity among the Member States.

*

1.2.11. These, then, are the broad lines of the Commission's paper on the outlook for European agriculture. The Commission will be consulting the other Community institutions and interested agricultural organizations and should be in a position to present its conclusions on the future of the CAP in appropriate form towards the end of the year.

¹ Supplement 4/83 — Bull. EC; Bull. EC 7/8-1983, points 1.1.1 to 1.1.20; COM(83) 500 Final.

3. Mediterranean policy of the enlarged Community

Maintenance of traditional agricultural trade

1.3.1. On 18 July the Commission sent to the Council a proposal for negotiating directives with a view to adapting the trade part of cooperation or association agreements between the Community and the southern Mediterranean countries¹ to the situation consequent upon the imminent enlargement of the Community. The underlying purpose of the directives is to enable traditional trade to be maintained between these countries and the Community, notably for agricultural products which at present enjoy preferential treatment.²

This means that the commitments expressed repeatedly by the Community and confirmed by the Council on 30 March will be honoured.³ The Council unanimously stressed the importance of the links between the Community and the Mediterranean countries and made the point that the Community intended to maintain traditional trade flows which risked being disturbed by enlargement.

This is of importance for both parties since the southern Mediterranean market takes 10% of the Community's exports, i.e. nearly half as much as the American market but three times as much as the Japanese market. The Community's largest trade surplus is on this market, totalling 8 000 million ECU in 1984.

The Community market is absolutely essential to the Mediterranean countries: it accounts for 60% of Tunisia's foreign trade, 50% of Algeria's, and over 40% in the case of Morocco, Egypt and Syria. Olive oil from Tunisia, for instance, is the equivalent of only 4% of the Twelve's total production but accounts for 43% of Tunisia's agricultural exports and employs 20% of the country's labour force.

The Commission stresses that these proposals will not involve an additional burden

for European agriculture, their aim being to manage already existing preferential arrangements, having regard to clearly identified trade flows.

Shortly the Commission will bring forward proposals to reinforce economic and also financial and technical cooperation with the Mediterranean countries.

1.3.2. So that the Mediterranean countries will be able to maintain their traditional agricultural exports to the Community, the Commission proposes measures to ensure that such exports can compete on equal terms with Portuguese and Spanish exports during the traditional period provided for in the Act of Accession.

It also proposes specific measures, as outlined below, in respect of certain sensitive products (citrus fruit, tomatoes, wine and olive oil).

The Commission proposes two types of measure for citrus fruit, which constitutes the bulk—some 80%—of the Mediterranean countries' farm exports:

(i) elimination of residual customs duties currently applied to citrus fruit once Portugal and Spain reach in a few years' time the preferential level for the Mediterranean countries; they will then be eliminated in parallel;

(ii) for products subject at certain times of the year to reference prices which will continue to be applied, the Commission proposes aligning the conditions for calculating entry prices on the method selected for Portugal and Spain from the fifth year after accession.

These provisions would apply up to a ceiling of some 800 000 tonnes, which corresponds to average exports in recent years,

¹ Morocco, Algeria, Tunisia, Egypt, Israel, Jordan, Lebanon, Syria, Cyprus, Malta, Yugoslavia.

² The Community already accords free access to industrial products from the Mediterranean countries.

³ Bull. EC 3-1985, point 2.2.19.

account being taken of the individual supplier country involved (notably Morocco, Tunisia, Israel and Cyprus).

The same provisions would apply to fresh tomatoes, some 60 000 tonnes per year, mainly exported by Morocco.

Either tariff quotas or timetables will be applied to early potatoes, which amount to some 270 000 tonnes a year from Cyprus, Egypt, Israel, Malta and Morocco.

Imports of wine are to be kept at approximately 1 million hectolitres, and quality wine will be favoured by modulation of the reference prices. A free-at-frontier offer price will be fixed annually for wine in bulk. The mechanism as a whole will be reviewed with the partner countries before the end of the transitional period, i.e. 31 December 1995, in order to decide what measures should be taken to enable traditional imports to be maintained from 1 January 1996 onwards.

For olive oil, the Community will decide, in negotiation with Tunisia, on appropriate means of ensuring that the quantities traditionally exported to the Community market (46 000 tonnes a year) are maintained in the period 1986-90.

1.3.3. Morocco at present enjoys exemption from customs duties on all fish products except preserved tuna and preserved sardines. The Commission proposes that these arrangements be continued until the completion of negotiations for a fishery agreement between Morocco and the Twelve. These negotiations should be concluded by the end of August 1987, which is when Morocco's bilateral fishing agreements with Portugal and Spain expire.

1.3.4. The Commission also adopted special directives for negotiations with Cyprus, Malta and Yugoslavia in order to implement the above provisions (→ points 2.3.23 to 2.3.25). The Community's contractual trade arrangements with Cyprus and Malta have expired and are at present being continued by means of unilateral measures. Accordingly, the Commission proposes opening negotiations with Cyprus on how to implement the second stage of the Association Agreement, in conformity with the Council statement of 30 March,¹ and opening negotiations with Malta to extend the first stage of the Association Agreement.

¹ Bull. EC 3-1985, point 2.2.20.

4. General system for the recognition of higher education diplomas

1.4.1. On 9 July the Commission presented to the Council a proposal for a Directive on a general system for the recognition of higher education diplomas.¹

The principle on which this proposal is based issued from the European Council in Fontainebleau in June 1984,² while its main lines, set out in the report by the *ad hoc* Committee for a People's Europe,³ were approved by the European Council in Brussels in March this year.⁴ The proposal therefore gives substance to a unanimous political resolve; it was also foreshadowed in the Commission White Paper on the completion of the internal market.⁵ The instrument enshrines a new approach to the problems of the recognition of diplomas. Instead of stipulating precise criteria on the basis of which university diplomas obtained in one Member State would be recognized as equivalent to those issued in another, this new approach is grounded on the principle that a Community citizen considered to be qualified to exercise a professional activity in one Member State must also be considered qualified to exercise that activity in another Member State.

The characteristics of the proposed system are as follows:

(i) *The system is general.* It lays down rules and establishes a procedure which will make it possible—without prior harmonization of the conditions for access to or the exercise of professional activities—to meet the individual and immediate requirements of all those who hold higher education diplomas and wish to exercise a professional activity in a place other than that in which they received their training.

(ii) *The system is based on the comparability of training levels.* In fact, university-level training courses provided by the Member States are broadly similar in character. An individual holding a higher education diploma is therefore in principle qualified to exercise his professional activity in a Member State other than that in which he was trained. This principle is not absolute, however; comparability does not exclude special features and differences. The system provides for compensatory measures based on professional experience or the completion of a period of supervised practice in the host country.

(iii) *The system calls for increased cooperation between the Member States.* This cooperation, based on mutual confidence, is a precondition for its successful operation. Exchanges of information, the utilization of the network of national information centres and coordination of the activities of the competent national authorities are all essential for the success of the newly instituted procedure.

(iv) *Finally, the system is evolutive.* The results of its operation may lead to a reconsideration of its field of application and, possibly, its extension to other categories of individuals who are not holders of higher education diplomas.

¹ Supplement 8/85-Bull. EC; OJ C 217, 28.8.1985; COM (85) 355 final.

² Bull. EC 6-1984, point 1.1.9 (section 6).

³ Bull. EC 3-1985, point 3.6.1.

⁴ Bull. EC 3-1985, point 1.2.7.

⁵ Bull. EC 6-1985, point 1.4.1 *et seq.*

5. Product liability

1.5.1. The adoption by the Council on 25 July of the Directive concerning liability for defective products¹ illustrates once more the efficacy of the new impetus that has been given to completion of the internal market.²

The approximation of Member States' legislation in this area was essential: the disparities from one country to another were liable to distort competition, hinder the free movement of goods within the common market and engender differences in the levels of protection afforded to European consumers.

In adopting the Directive, the Council has helped to bring about a major step forward in consumer protection, affording injured persons the possibility of specific recourse against producers of defective products. For seven Member States, this involves changing from the traditional system of liability for negligence to a system of manufacturers' strict liability, thus eliminating the serious inadequacies, in an age of increasing technology, of systems based for the most part on fault liability. The adoption of the Directive will make for speedier and less costly litigation, making it easier for injured persons and their families to obtain compensation for damage caused by death or personal injury, or damage to items of property caused by defective products, subject to a lower threshold of 500 ECU. Compensation for non-material damage is covered by the relevant provisions of national law.

The rights conferred on injured persons under the Directive are to be available for

no more than 10 years from the time when the defective product was put into circulation.

The principle of strict liability on the part of the producer means that the injured person must prove the damage, the defect in the product and the causal relationship between the two. Nevertheless, to ensure a fair apportionment of the risks between injured person and producer, the Directive provides that the producer can escape liability if he can show certain exonerating circumstances—if he can prove, for instance, that the state of scientific and technical knowledge at the time when he put the product into circulation was not such as to enable the existence of the defect to be discovered. However, during a transition period of seven years, Member States may legislate for the liability of the producer in respect of development risks and for a financial limit on total liability for personal injury caused by identical items with the same defect, which may not be less than 70 million ECU. After this period, the Council, on the basis of a report by the Commission concerning the effect of these options on consumer protection and the functioning of the common market, will decide what definitive system should be adopted.

Member States are to give effect to the provisions of the Directive within three years from the date of its notification.

¹ OJ L 210, 7.8.1985.

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

6. Comett programme: university-industry cooperation in training for the new technologies

New technologies and social change in higher education

1.6.1. On 6 August the Commission presented a communication to the Council, together with a proposal for a decision, on Comett—the action programme of the Community in education and training for technology.¹ This programme is designed to strengthen cooperation between universities and other higher education institutions and industry in the area of advanced training for the new technologies; it takes up ideas developed earlier by the Commission in its communications on technological change and social adjustment² and embodies the conclusions drawn by the Council meeting on employment and social affairs in June 1984³ and by the Council and Ministers of Education meeting within the Council in June 1985.⁴ The initiative by the Commission also constitutes a direct response to the request formulated by the European Council in Fontainebleau on 25 June 1984⁵ and reiterated in Brussels on 29 March this year.⁶

The proposal was framed after a series of consultations at Community level, beginning with the European conference held in Galway in December 1984.⁷

Comett's three objectives

1.6.2. The Comett programme has three aims:

- (i) to promote a sense of European identity, especially by encouraging the provision of training periods for students in firms in other Member States;
- (ii) to promote economies of scale by the joint organization of new training programmes designed to remedy the shortage of manpower with specialized skills resulting from the speed of technological advance;

(iii) to stimulate exchanges of experience between Member States regarding university-industry cooperation in training.

Implementation in two stages

1.6.3. The programme will be implemented in two stages spread over seven years (1986-92). The first stage, lasting for four years, will see the launching (in 1986) and development (from 1987 to 1989) of a series of actions which can be intensified or adapted during the second stage (1990-92) in the light of experience acquired during the first.

1.6.4. The programme will make it possible to draw on Community financial support—estimated at about 80 million ECU for the first stage—for the following five series of actions:

- (i) establishment and development of a European network of University-Industry Training Partnerships (UITPs), with grants being provided towards the cost of the European liaison activities of each partnership;
- (ii) the launching of Community exchange schemes between universities and industry, with grants and fellowships being awarded to students and to academic and industrial staff wishing to spend a period in another Member State for study or training purposes;
- (iii) the design, development and evaluation of joint training projects relating to the needs of high-technology firms or aiming at the rapid dissemination of research results;

¹ OJ C 234, 13.9.1985; COM(85) 431 final.

² Bull. EC 1-1984, point 1.3.1. *et seq.*

³ Bull. EC 6-1984, point 2.1.47.

⁴ Bull. EC 6-1985, point 2.1.70.

⁵ Bull. EC 6-1984, point 1.1.9 (section 5).

⁶ Bull. EC 3-1985, point 1.2.4.

⁷ Bull. EC 12-1984, point 2.1.94.

(iv) the promotion of joint efforts by the universities and industry to develop open learning systems and pool teacher training activities;

(v) the creation of a data base on university-industry cooperation, exchanges of experience, and the monitoring and evaluation of the measures undertaken.

1.6.5. The Comett programme is intended to complement existing Community programmes in the areas of education, training,

research and technological cooperation (e.g. Esprit, RACE, Brite, the plan to stimulate scientific and technical cooperation and interchange and the plan for the transnational development of the supporting infrastructure for innovation and technology transfer).

Given the importance of what is at stake, the Commission emphasized the need for a decision by the end of the year so that the preparatory work can be started as early as possible in 1986.

7. The European steel industry after 1985

1.7.1. The rules constituting the Community's steel aids code expire on 31 December. With this in mind the Commission transmitted to the Council on 16 July three communications concerning respectively the organization of the steel market after 1985,¹ the rules on aid and financial transfers to the steel industry after 1985² and stronger Community structural measures to assist steel restructuring areas.³

Organization of the market

1.7.2. Where market organization is concerned, the Commission reaffirmed its determination to ensure a progressive return to the normal conditions of a competitive market in accordance with the ECSC Treaty. In 1986 a start must be made on liberalizing the steel market; although continuing overcapacity warrants maintenance of some control and some organization of the market, the Commission believes that this should cease by the end of 1988. It takes the view that the period of manifest crisis within the meaning of the ECSC Treaty should be extended for three years after

1985. The transition period should be shorter for long products than for flat products, and at the same time the compulsory minimum prices should be progressively suspended and replaced by a system of guide prices.

The Commission also intends to reinforce the implementation of Community measures in support of the industry's restructuring (ECSC loans, loans from the New Community Instrument, interest-rate subsidies) and also aid from the structural Funds, Social Fund) with a view to creating new jobs in the areas particularly affected by the steel crisis.

1.7.3. At its meeting on industry and steel held on 25 July (→ point 2.5.16) the Council held an initial detailed discussion on the Commission's proposal concerning the organization of the Community's steel market after 1985 and approved the following conclusions:

(i) '...having taken note of the Commission's views concerning the market surveillance arrangements proposed for the years after 1985;

¹ COM (85) 382 final.

² COM (85) 376 final.

³ COM (85) 384 final.

(ii) convinced of the need to return as swiftly as possible, in an orderly manner, to a market in which Community undertakings freely compete;

(iii) being aware, however, that the process of restructuring is still in progress and that a transitional period limited to a maximum of three years is necessary;

(iv) calls on the Commission to prepare, in line with the principles set out in the second and third indents, a specific document on which the Council will take a final decision on the basis of Article 58 of the ECSC Treaty, with the aim of continuing market surveillance arrangements.'


Government aid

1.7.4. As regards the Member States' aids and financial transfers to steel undertakings after the aids code expires, the Commission announced its intention of introducing strict, limitative arrangements.

While the arrangements concerning the organization of the market would progressively become more flexible, the rules on aids would be reinforced, authorization being granted only for aids for research, environmental protection and, under very strict conditions, encouraging firms to undertake further plant closures during the extended period of market organization.

The Commission will also supervise closely the financial transfers made by the Member States to check whether they contain elements of aid falling within the scope of the abovementioned rules.

1.7.5. Detailed discussions were held on the Commission's proposals at the Council's meeting on industry and steel on 25 July, and the Council requested the Commission to develop its guidelines further.

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PART TWO

ACTIVITIES
IN JULY/AUGUST 1985

1. Building the Community

Economic and monetary policy

Council

2.1.1. The Council devoted most of its economic and financial affairs meeting on 8 July (→ *point 2.5.16*) to establishing the 1986 reference framework for 'budgetary discipline' (→ *point 2.4.5*). It also conducted the second-quarter examination of the economic situation in the Community (→ *point 2.1.2*).

Economic situation

2.1.2. Acting on the basis of a June communication from the Commission,¹ the Council carried out the second-quarter examination of the economic situation in the Community, in accordance with its Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States.²

The Council endorsed the Commission's opinion that there was no need at present to adjust the economic policy guidelines for 1985 which it had adopted on 19 December 1984.³ It also took note of the quantitative guidelines for Member States' budgets for 1986 advocated by the Commission in its communication.¹

2.1.3. On 4 July the Economic and Social Committee delivered an own-initiative opinion on the economic situation in the Community (mid-1985) (→ *point 2.5.33*).⁴

European Monetary System

Realignment of 20 July

2.1.4. The month of July saw a new realignment of the central rates within the EMS.⁵ The decision followed a lengthy

meeting of the Monetary Committee to examine the situation created by the lira's collapse against the dollar and by the closure of foreign-exchange markets in Italy. The details of the realignment were set out in the following communiqué:

'On 20 July 1985 the Ministers and Central Bank Governors of the EEC member countries have by mutual agreement, in a common procedure involving the Commission and on the basis of a proposal from the Monetary Committee, decided on an adjustment of central rates within the European Monetary System, as follows:

Italian lira: -6%.

Other currencies: +2%.

The new bilateral central rates are the following (in units of national currency per ECU):

IRL	0.724578
FF	6.86402
DKR	8.12857
HFL	2.52208
DM	2.2384
BFR	44.832
LFR	44.832
LIT ⁶	1 520.6
UKL ⁶	0.555312
DRA	100.719.'

The new parity grid of bilateral central rates and compulsory intervention rates as at 22 July 1985 is as follows:

¹ Bull. EC-1985, point 2.1.4.

² OJ L 63, 5.3.1974.

³ OJ L 45, 14.2.1985; Bull. EC 12-1984, point 2.1.3.

⁴ OJ C 218, 29.8.1985.

⁵ Bull. EC 3-1983, points 1.2.1. to 1.2.4.

⁶ Since sterling (UKL) and the drachma (DRA) do not participate in the EMS exchange-rate mechanism, their central rates in ECU have only a theoretical value: Bull. EC 5-1983, point 2.1.8; Bull. EC 9-1984, point 2.1.4; Bull. EC 6-1985, point 2.1.7.

Table 1 — *Central rates of EMS currencies*
(parity grid applicable from 22 July 1985)

		Amsterdam (HFL)	Brussels (BFR/LFR)	Frankfurt (DM)	Copenhagen (DKR)	Dublin (IRL)	Paris (FF)	Rome (LIT)
HFL 100	+ 2.25%		1818.0	90.770	329.63	29.3832	278.35	64020.0
	central rate	100	1777.58	88.7526	322.297	28.7295	272.158	60291.5
	- 2.25%		1738.0	86.780	315.130	28.0904	266.10	56786.0
BFR/LFR 100	+ 2.25%	5.7535		5.106	18.543	1.6530	15.659	3601.40
	central rate	5.62561	100	4.99288	18.1312	1.61621	15.3106	3391.77
	- 2.25%	5.5005		4.882	17.727	1.5803	14.97	3194.30
DM 100	+ 2.25%	115.235	2048.35		371.40	33.1015	313.63	72131.0
	central rate	112.673	2002.85	100	363.141	32.3703	306.648	67932.5
	- 2.25%	110.1675	1958.50		355.06	31.6455	299.85	63978.0
DKR 100	+ 2.25%	31.7325	564.10	28.165		9.1168	86.365	19863.0
	central rate	31.0273	551.536	27.5375	100	8.91396	84.4432	18706.9
	- 2.25%	30.3375	539.30	26.925		8.7157	82.565	17618.0
IRL 1	+ 2.25%	3.5600	63.2810	3.160	11.4735		9.6885	2228.29
	central rate	3.48075	61.8732	3.08925	11.2184	1	9.47313	2098.6
	- 2.25%	3.4030	60.4965	3.021	10.9687		9.2625	1976.46
FF 100	+ 2.25%	37.58	668.0	33.350	121.11	10.7964		23522.0
	central rate	36.7434	653.144	32.6107	118.423	10.5562	100	22153.2
	- 2.25%	35.925	638.60	31.885	115.78	10.3214		20863.0
LIT 1000	+ 6%	1.76100	31.305	1.5630	5.676	0.505956	4.7930	
	central rate	1.65861	29.4831	1.47205	5.34563	0.476508	4.51402	1000
	- 6%	1.56200	27.765	1.3865	5.035	0.448775	4.2515	
ECU 1	central rate	2.52208	44.8320	2.23840	8.12857	0.724578	6.86402	1520.60

Strengthening the EMS and the role of the ECU

2.1.5. On 4 July the Economic and Social Committee delivered its opinion on the proposal¹ for amending the Regulation of 18 December 1978 relating to the European Monetary System² as regards the use of ECUs by 'other holders' (→ point 2.5.38).³

Community borrowings

Adjustments to Community loan to France

2.1.6. At the request of the French authorities, the Commission carried out in July

¹ OJ C 171, 10.7.1985; Bull. EC 5-1985, point 2.1.2.

² OJ L 379, 30.12.1978.

³ OJ C 218, 29.8.1985.

two operations to improve the terms of part of the Community loan of 4 000 million ECU granted to France in 1983.¹ Since the French authorities had announced² in May their intention of making an early repayment, in August, of the USD 650 million tranche of the syndicated loan of USD 1 240 million,³ it renegotiated the terms of the remaining USD 590 million tranche. This was done in two stages: an operation involving USD 350 million and one involving USD 240 million. These operations, which are in addition to that carried out by the Commission in May,² will enable France to make considerable savings on interest rates relative to LIBOR (→ point 2.4.14).

Monetary Committee

2.1.7. The Monetary Committee held its 312th meeting in Brussels on 2 July, with Mr Tietmeyer in the chair. It discussed among other things monetary policy cohesion in the Community. It also reviewed the economic and monetary situation in Belgium.

Economic Policy Committee

2.1.8. The Economic Policy Committee held its 156th and 157th meetings on 1 and 2 July. With Mr Guillaume in the chair, it discussed, in its 'medium-term' composition, its work programme and examined for the first time the problem of flexibility in goods and service markets. In its full composition, with Mr Byatt in the chair, it studied ways and means of promoting more employment-intensive growth. It also held an exchange of views on tools for assessing the utility of economic policy coordination in present conditions.

Internal market and industrial affairs

Strengthening the internal market

2.1.9. The Commission sent to the Council and to the Representatives of the

Governments of the Member States meeting within the Council a draft resolution on the introduction of appropriate signs at Community internal and external frontiers.⁴

This draft resolution follows on from the White Paper on the completion of the internal market, sent by the Commission to the Council in June,⁵ and aims to put into practice some of the recommendations made by the *ad hoc* Committee on a People's Europe in its report to the Milan European Council.⁶

The Commission's proposals stem from the observation that at present there is nothing to indicate to travellers when they cross frontiers that they are entering the Community or moving from one Community country to another. What is more, the continued existence of increasingly anachronistic signs at the Community's internal borders has the effect of negating the existence of the Community in the eyes of its citizens, since they have to pass a 'customs post', whether entering another Member State or a non-member country.

Consequently, the Commission is calling for the abolition of signs which bear the word 'customs' at or near internal Community borders and the introduction of signs at internal and external borders bearing the name of the Member State which travellers are entering and a reference to the fact that it belongs to the Community.

2.1.10. On 11 July, again as part of the follow-up to the White Paper on the internal market,⁵ the Commission sent the Council a proposal for a Regulation abolishing certain postal charges for customs presentation (→ point 2.1.36) and a proposal to amend the Directive of 1 December 1983 on the facilitation of physical inspections and administrative formalities in respect of the

¹ Bull. EC 5-1983, point 2.1.3.

² Bull. EC 5-1985, point 2.1.4.

³ Bull. EC 7/8-1983, point 2.1.4.

⁴ COM(85) 462 final.

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

⁶ Bull. EC 6-1985, point 1.4.1 *et seq.*

carriage of goods between Member States (→ point 2.1.192).

2.1.11. In a resolution adopted on 10 July on the Milan European Council,¹ Parliament expressed the fear that the large internal market may not be achieved by 1992 if the Council fails to approve in good time the various measures presented in the Commission's schedule.²

Free movement of persons and freedom to provide services

Mutual recognition of diplomas and access to occupations

General system for the recognition of higher education diplomas

2.1.12. On 9 July the Commission sent the Council a proposal for a Directive embodying a new approach to the recognition of higher education diplomas (→ point 1.4.1). This proposal, too, follows on from the White Paper on the completion of the internal market.²

Pharmacists

2.1.13. At its 22 and 23 July meeting the Council reached agreement, subject to consultation with Portugal and Spain, on two Directives. The first is aimed at coordinating national laws, regulations and administrative provisions regarding activities in the field of pharmacy, while the second deals with the mutual recognition of diplomas, certificates and other qualifications in pharmacy and includes measures to facilitate the effective exercise of the right of establishment. At the same time, the Council endorsed the setting up of an Advisory Committee on the Training of Pharmacists.³

The Member States will have two years to give effect to the Directives. However, Greece has been allowed eight years after

the entry into force of the Directives to implement measures for the recognition of diplomas in respect of qualified pharmacists from other Member States wishing to practise as self-employed pharmacists in Greece. The other Member States will be allowed the same extended period for the recognition of qualified Greek pharmacists wishing to practise in their territory.

Temporary arrangements have also been made to limit the effects of mutual recognition of diplomas, in view of the difficulties posed by differences between the Member States in their legislation regarding the setting up of new practices; this is unregulated in some countries and regulated in various ways by others. Member States may withhold recognition for diplomas issued in other Member States in respect of the opening of *new* pharmacies. In an effort to avoid fraud, pharmacies which have been established for less than three years are also regarded as new. This limitation will be reviewed five years after the entry into force of the Directives.

As in the Directives already adopted for doctors, dentists, nurses, veterinary surgeons and midwives, provision is made for coordinating minimum conditions for training. To this end, qualitative and quantitative criteria have been laid down and a basic minimum list of subjects which must be included in curricula has been drawn up. A common definition of the minimum scope of activity of pharmacists within the Community is also included.

Finally, the Directives contain provisions identical to those incorporated in the earlier Directives concerning the arrangements for accepting persons benefiting from the recognition of diplomas, requirements as to proof of good character and good repute and conditions governing the use of titles.

2.1.14. The Committee of Senior Officials on Public Health met on 2 and 3 July to

¹ OJ C 229, 9.9.1985.

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

³ The Directives were formally adopted on 16 September; OJ L 253, 24.9.1985.

discuss the issues connected with the application of the Directives on the free movement of doctors, nurses responsible for general care, dental practitioners and midwives and on the mutual recognition of their diplomas.

It also discussed the technical amendments which needed to be made to the Directives to take account of changes in the designation of basic and specialized training qualifications in some Member States.

2.1.15. At its July session the Economic and Social Committee delivered its opinion¹ on the proposal for a Directive relating to specific training in general medical practice, which the Commission sent to the Council in December 1984² (→ point 2.5.37).

Free movement of goods

Removal of technical and administrative barriers to trade

Industrial products

2.1.16. On 29 July the Commission sent the Council a proposal for a Directive on the approximation of the laws, regulations and administrative provisions of the Member States relating to the classification, packaging and labelling of dangerous preparations (→ point 2.1.126).

2.1.17. On 24 July the Commission presented to the Council a proposal defining the principles of sound laboratory practice to be applied when carrying out tests on chemical substances (→ point 2.1.125).

Foodstuffs

2.1.18. Under the early warning system for foodstuffs, the Commission was informed of the problem of exports to the Community of large quantities of wine of Austrian origin containing diethylene glycol (antifreeze).

National authorities and the Commission are working in close cooperation and are exchanging information on this subject.

2.1.19. At its July session the Economic and Social Committee delivered its opinion¹ on the proposal for a Council Directive on modified starches intended for human consumption.³

Business law

European Economic Interest Grouping

2.1.20. On 25 July the Council adopted a Regulation setting up a European Economic Interest Grouping (EEIG),⁴ on which it had reached a common position in June.⁵

*

2.1.21. On 11 July Parliament adopted a resolution on the measures needed to combat vandalism and violence in sport (→ point 2.5.14).⁶

Industry

Steel⁷

Market situation

2.1.22. The steel industry in the Community (excluding Greece and Ireland) produced 10 631 000 tonnes of crude steel in June — an increase of 4,6% on June 1984.

The production trend by country is given in Table 2.

¹ OJ C 218, 29.8.1985.

² OJ C 13, 15.1.1985; Bull. EC 12-1984, point 2.1.10.

³ OJ C 31, 1.2.1985; Bull. EC 12-1984, point 2.1.16.

⁴ OJ L 199, 31.7.1985.

⁵ Bull. EC 6-1985, point 2.1.23.

⁶ OJ C 229, 9.9.1985.

⁷ International relations are dealt with in the 'Relations with industrialized countries' section of the 'External relations' chapter; for social aspects, see point 2.1.85; for research, see points 2.1.227 and 2.1.228.

Table 2 — Community production of steel, June 1984 — June 1985

	'000 tonnes				
	June 1985	% change 1985/1984	First half		% change
			1985	1984	
Belgium	906	- 13.4	5 490	5 877	- 6.6
Denmark	43	+ 19.4	233	301	- 22.6
Germany (FR)	3 649	+ 13.3	20 522	19 732	+ 4.0
France	1 674	+ 1.8	9 965	9 924	+ 0.4
Italy	2 093	- 3.1	12 368	12 470	- 0.8
Luxembourg	328	+ 3.8	2 008	1 992	+ 0.8
Netherlands	489	+ 2.3	2 736	2 776	- 1.4
United Kingdom	1 449	+ 14.6	8 205	7 764	+ 5.7
Total	10 631	+ 4.6	61 527	60 836	+ 1.1

Production in the first half was 61 527 000 tonnes — 1.1% up on the first six months of 1984.

By contrast, production in the United States continues to decline; in June 1985 it was 8.1% down on June 1984 and in the first half 12% lower than in the first six months of last year. Japanese production in the first half was up 2.6% on the corresponding period of 1984, but the aggregate figure for the 30 countries which supply production statistics to the International Iron and Steel Institute (IISI) was down by 1%. Portuguese

and Spanish production went up by 0.9% and 3.6% respectively.

2.1.23. In July the Community (Greece excluded) produced 9.8 million tonnes of crude steel — the same as for July last year but 4.1% down on this June.

Output for the first seven months of 1985 was 71.3 million tonnes — 0.9% higher than in the corresponding period of 1984.

The trend of steel production in IISI member countries is given in Table 3.

Table 3

	'000 tonnes					
	July 1985	July 1984	% change	First seven months		% change
				1985	1984	
Belgium	700	806	- 13.2	6 190	5 877	+ 5.3
Denmark	26	28	- 7.1	259	301	- 14.0
Germany (FR)	3 433	3 400	+ 1.0	23 953	19 732	+ 21.4
France	1 588	1 639	- 3.1	11 545	9 924	+ 16.3
Italy	2 069	1 913	+ 8.2	14 437	12 470	+ 15.8
Luxembourg	370	325	+ 13.8	2 378	1 992	+ 19.4
Netherlands	462	498	- 7.2	3 198	2 776	+ 15.2
United Kingdom	1 125	1 208	- 6.9	9 330	7 764	+ 20.0
Community total	9 773	9 817	- 0.4	71 290	60 836	+ 17.2
United States	6 560	6 768	- 3.1	47 479	46 524	+ 2.1
Japan	8 967	9 068	- 1.1	62 481	52 150	+ 19.8
Other	10 734	10 127	+ 6.0	74 765	62 698	+ 19.2
Total	36 034	35 780	+ 0.7	256 015	222 208	+ 15.2

2.1.24. Table 4 shows the trend of Member States' market shares of Community steel production between 1974 and 1984. Since 1981, when the quota system was introduced,

there has been relative stability, with the French fall offsetting the Italian and Greek increase. In 1984 products subject to quota accounted for 74% of total production.

Table 4 — *Members States' percentage market shares of Community steel production, 1974 to 1984*

	1974	1980	1981	1982	1983	1984
Belgium	10.5	9.5	8.8	8.2	8.0	8.6
Denmark	0.4	0.65	0.55	0.52	0.46	0.49
Germany (FR)	33.7	32.9	32.2	31.1	32.0	32.2
Greece	—	—	1.1	1.3	1.6	1.6
France	17.8	19.8	18.3	18.2	17.2	17.0
Ireland	0.06	0.02	0.02	0.06	0.13	0.15
Italy	16.0	21.3	20.7	22.1	21.5	21.2
Luxembourg	3.9	3.6	3.0	3.1	3.1	3.2
Netherlands	3.3	3.2	3.3	3.4	3.4	3.4
United Kingdom	14.3	8.8	11.7	11.8	12.5	12.0

2.1.25. The Community's steel production and its export of finished steel products increased appreciably in 1984. The Ten's consumption was up nearly 6% on the 1983 level, which was the lowest for fifteen years. Compared with 1982, the 1984 figure represented an increase of 3.7%. With the exception of France, where it fell by 4.6%, steel consumption rose in all the main producer countries between 1982 and 1984: by 8.7% in the Federal Republic of Germany, 8.9% in Belgium and Luxembourg, 3.4% in Italy and 1.3% in the United Kingdom.

The Community's exports in 1984—all products together—accounted for 29.8% of production, of which 22.4 million tonnes were ECSC products. The main customer was still the United States, which in 1984 absorbed 21% of the Community's total exports to non-member countries, or 4.6 million tonnes; in 1983 its share had been 18%, or 3.4 million tonnes. Exports to the rest of Western Europe rose to 6.4 million tonnes in 1984 from 5.4 million in 1983.

Forward programme

2.1.26. The Council having given its assent and the ECSC Consultative Commit-

tee its opinion, the Commission, in July, approved on second reading the forward programme for steel for the third quarter of 1985.¹ In accordance with the opinion of the Consultative Committee, the figures for the total provisional production of crude steel for the quarter were amended because of an improvement in the situation since the original text was drafted.² The estimate of crude steel production was revised upwards from 29 to 29.5 million tonnes.

General Objectives

2.1.27. In July the Commission adopted³ the General Objectives for Steel in 1990.⁴ The original text was amended to take account of the principal suggestions contained in the ECSC Consultative Committee's resolution⁵ and comments from the Portuguese and Spanish Governments.

¹ OJ C 183, 23.7.1985.

² Bull. EC 6-1985, point 2.1.30.

³ OJ C 239, 20.9.1985.

⁴ Bull. EC 5-1985, point 2.1.15.

⁵ OJ C 190, 30.7.1985; Bull. EC 6-1985, point 2.5.26.

Crisis measures

The Community steel industry after 1985

2.1.28. On 16 July the Commission sent the Council three communications concerning the organization of the steel market after 1985, the rules on aid and financial transfers to the steel industry after 1985 and stronger Community structural measures to assist steel restructuring areas (→ point 1.7.1 *et seq.*)

Production quotas

2.1.29. On 25 July the Council gave its unanimous assent under Article 58 of the ECSC Treaty to the Commission's projected amendment to the system of production quotas with regard to the only steel-maker in Denmark.¹ The planned increase relates to an annual output of at most 25 000 tonnes. The relevant decision cannot be adopted formally until the ECSC Consultative Committee has been consulted, but it will have effect from 1 July.

2.1.30. The Commission decided on 31 July to amend the rates of abatement to be applied to calculating the quotas for the third quarter of 1985.² The rates are given in Table 5, the new ones being marked with an asterisk.

Table 5 — *Rates of abatement for the establishment of production quotas, third quarter 1985*

Product	Production quota (%)	Part of the quota that may be delivered in the common market (%)
Ia Hot-rolled wide strip, including hoop and sheet	43*	52
Ib Cold-rolled sheet	39*	46*
Ic Galvanized sheet	18	23*
Id Other coated flat products	+ 22	+ 20
II Reversing-mill plate	44*	51*
III Heavy sections	48	54*
IV Wire rod	35	39
V Reinforcing bars	47	50
VI Merchant bars	41	42

To balance supply and demand, changes had to be made to the figures for hot- and cold-rolled sheet, galvanized sheet, reversing-mill plate and heavy sections.

The new rates replace those in the Commission Decision of 22 May;³ the corresponding production quotas are increased from 3.97 to 4.11 million tonnes in respect of hot-rolled wide strip, from 3.33 to 3.44 million tonnes in respect of cold-rolled sheet and from 1.25 to 1.28 million tonnes in respect of reversing-mill plate.

Minimum prices

2.1.31. The Commission decided on 29 July to amend for the fourth time⁴ its Decision fixing minimum prices for certain steel products⁵ with a view to realigning the levels of the minimum prices in lire following the parity changes made on 20 July (→ point 2.1.4).

The adjustment represents a net increase of 8.3% in the minimum prices in lire applying since 1 April and will come into effect on 1 August.

Restructuring

2.1.32. On 26 July the Commission amended⁶ its Decision of 18 November 1981 on the information to be furnished by steel undertakings about their investments.⁷ The Commission takes the view that it must be able to ensure that the capacity cuts it has required or is requiring in return for the aid authorized under its Decision of 7 August 1981 (the 'aids code')⁸ have taken the form of permanent—and hence irreversible—closures.

¹ OJ C 199, 7.8.1985.

² OJ L 205, 3.8.1985.

³ OJ L 134, 23.5.1985; Bull. EC 5-1985, point 2.1.16.

⁴ OJ L 199, 31.7.1985.

⁵ OJ L 373, 31.12.1983; Bull. EC 12-1983, point 2.1.13.

⁶ OJ L 197, 27.7.1985.

⁷ OJ L 333, 20.11.1981; Bull. EC 11-1981, point 2.1.19.

⁸ OJ L 228, 13.8.1981.

Industrial innovation and information market

Development of a European information market

2.1.33. On 16 July the Commission decided, in response to the wishes expressed by the European Council at its meeting in Brussels in March,¹ to take the steps necessary for the implementation of a genuine common information market, and reviewed the work already done in this area.

It therefore requested the relevant departments to submit to it within three months a programme containing specific proposals and a timetable, and at the same time to draft preliminary proposals, for transmittal to the Council, concerning in particular the creation of a European source of supply and a European data bank continuum.

*Apollo programme*²

2.1.34. An agreement between the Commission and the European Space Agency (ESA) on cooperation within the framework of the Apollo project³ was signed in Brussels on 31 July.

The project will provide high-speed digital transmission for long data messages, in particular for document facsimiles; it will support a small number of information providers (up to 10) wishing to transmit messages to a large number of widely dispersed users and will utilize one of the Eutelsat-I satellites designed and developed by the ESA in collaboration with European industry.

The recently signed agreement provides for the development of prototype equipment by European industry to ESA specifications. The agreement also makes the Commission responsible, with the assistance of the ESA and telecommunications administrations, for the overall coordination of Apollo, including the archives of the Office for Official Publications of the European Communities in Luxembourg and several other sources of European information.

Customs union

Simplification of customs formalities

Single administrative document

2.1.35. On 8 July the Council adopted two Regulations,⁴ one introducing Community export and import declaration forms⁵ and the other amending⁵ the Regulation of 13 December 1977 on Community transit.⁶ Both tie in with the adoption in February of the Community customs declaration form known as the 'single administrative document'.⁷

Abolition of certain postal charges

2.1.36. On 11 July the Commission sent the Council a proposal for a Regulation abolishing certain postal charges for customs presentation.⁸ The proposed Regulation is designed to do away with the fees charged by national postal administrations for presenting to customs consignments sent from another Member State. It forms part of the Commission's drive to strengthen the internal market, and was one of the measures included in the White Paper⁹ presented by the Commission at the Milan European Council.¹⁰ Once adopted, the Regulation will mark another step forward in the creation of a 'people's Europe'.

General legislation

Customs debt

2.1.37. On 11 July Parliament endorsed¹¹ a Commission proposal for a Regulation

¹ Bull. EC 3-1985, point 1.2.4.

² Apollo: Article procurement with on-line ordering.

³ Bull. EC 7/8-1984, point 2.1.40.

⁴ OJ L 179, 11.7.1985.

⁵ OJ C 203, 6.8.1982.

⁶ OJ L 38, 9.2.1977.

⁷ OJ L 79, 21.3.1985; Bull. EC 12-1984, point 1.6.1.

⁸ OJ C 202, 10.8.1985; COM(85) 356 final.

⁹ Bull. EC 6-1985, point 1.3.1 *et seq.*

¹⁰ Bull. EC 6-1985, point 1.2.5.

¹¹ OJ C 229, 9.9.1985.

on the entry in the accounts and terms of payment of the amounts of the import duties or export duties resulting from a customs debt.¹ On 23 August the Commission sent the Council an amendment to the proposal to take account of Parliament's views.²

Repayment or remission of duties

2.1.38. Also on 11 July, Parliament endorsed³ a proposal⁴ for a Council Regulation amending the Regulation of 2 July 1979 on the repayment or remission of import or export duties.⁵

Release for free circulation

2.1.39. At its July session the Economic and Social Committee gave its opinion (→ point 2.5.39)⁶ on a proposal for a Regulation laying down measures to discourage the release for free circulation of counterfeit goods.⁷

Customs procedures with economic impact

Inward processing

2.1.40. On 16 July the Council adopted a Regulation on inward processing relief arrangements.⁸ The new Regulation will have effect from 1 January 1987; it replaces the current Directive of 4 March 1969⁹ and, being directly applicable in all Member States, will offer greater certainty in the law for individual users.

To a great extent the Regulation proceeds along the same lines as the 1969 Directive, but it means the rules of the inward processing system will be more closely harmonized throughout the Community. In particular, it is more explicit in its provision for two variants of inward processing relief: one in which the import duties on non-Community goods placed under the procedure for re-export after processing are waived, and another in which duties are charged on non-Community goods but repaid or

remitted when the processed products are exported.

While the 1969 Directive provided only for the waiver of import duties, the new Regulation now allows the inward processing arrangements to be used where products obtained from processing are liable for export duties, or where import goods are subject to measures of commercial policy in the event of their release for free circulation.

Processing under customs control

2.1.41. On 25 July the Council adopted a Regulation¹⁰ amending the list in the Annex to the Regulation of 26 September 1983¹¹ as regards arrangements for processing under customs control. The processing of certain petroleum products into products which may be given favourable tariff treatment within the meaning of the Commission Regulations of 4 July 1977¹² and 22 July 1977¹³ is now included, as is the manufacture of chromium from dichromium trioxide, and the arrangements for processing under customs control will henceforward cover the usual forms of handling which may be carried out in a customs warehouse or a free zone, in accordance with the Directive of 21 June 1971.¹⁴

The new Regulation incorporates most of the provisional measures adopted in the Commission Regulations of 1 February¹⁵ and 12 March,¹⁶ which were valid for six months only.

¹ OJ C 41, 13.2.1985; Bull. EC 12-1984, point 2.1.40.

² COM(85) 470 final.

³ OJ C 229, 9.9.1985.

⁴ OJ C 22, 24.1.1985; Bull. EC 12-1984, point 2.1.42.

⁵ OJ L 175, 12.7.1979.

⁶ OJ C 218, 29.8.1985.

⁷ OJ C 20, 22.1.1985; Bull. EC 12-1984, 2.1.39a.

⁸ OJ L 188, 20.7.1985.

⁹ OJ L 58, 8.3.1969.

¹⁰ OJ L 198, 30.7.1985.

¹¹ OJ L 272, 5.10.1983.

¹² OJ L 171, 9.7.1977; OJ L 266, 19.10.1977.

¹³ OJ L 195, 2.8.1977; OJ L 266, 19.10.1977.

¹⁴ OJ L 143, 29.6.1971.

¹⁵ OJ L 30, 2.2.1985; Bull. EC 2-1985, point 2.1.28.

¹⁶ OJ L 72, 13.3.1985; Bull. EC 3-1985, point 2.1.34.

Common Customs Tariff

Nomenclature

2.1.42. In the interests of ensuring uniform application of the CCT nomenclature, the Committee on Common Customs Tariff Nomenclature took decisions on the classification of certain goods in the following subheadings:

85.19 A, 90.19 A III, 90.28 A II(b) and 92.11 B;¹ 60.05 A II(b) 4(II) 44, 61.02 B II(e) 7(cc), 61.01 B V(g) 3 and 60.04 B IV(d) 1(dd);² 39.01 C VII, 28.35 A III and 28.48 A;³ 23.03 B I;⁴ 60.04 B IV(b) 1(aa), 60.05 A II(b) 4(II) 22, 60.05 A II(b) 4(ee) 33, 61.02 B II(e) 6(cc) and 61.02 B II(e) 9(cc).⁵

2.1.43. The adjustment of the European Monetary System's bilateral central rates approved on 20 July (→ point 2.1.4) means that new rates applied from 2 August to the conversion of ECUs into national currencies for the purposes of determining the tariff classification of goods and CCT duties.⁶

Economic tariff matters

Suspensions

2.1.44. On 23 July the Council adopted a Regulation temporarily suspending the autonomous CCT duty on aldicarb (ISO), dissolved in dichloromethane, falling within subheading ex 29.31 B.⁷

Tariff quotas

2.1.45. In July the Council adopted three Regulations opening, allocating and providing for the administration of Community tariff quotas in respect of the following products:

- certain fishery products, salted, falling within CCT subheadings ex 03.02 A I(b) and ex 03.02 A II;⁸
- certain polyester films, falling within CCT subheading ex 39.01 C III(a);⁹

- deep-frozen fillets of Alaska pollack, falling within CCT subheading ex 03.01 B II(b) 14.¹⁰

Generalized tariff preferences

2.1.46. The Council also adopted in July a Regulation applying supplementary generalized tariff preferences in respect of certain products originating in developing countries and sold at the Berlin 'Partners in Progress' Fair.

Customs valuation

2.1.47. On 27 June the Commission adopted a Regulation on the rates of exchange to be used in the determination of customs value;¹¹ the aim is to introduce a uniform system of periodic exchange rates in accordance with the wishes expressed by the Council when adopting the Regulation of 20 May 1980 on the valuation of goods for customs purposes.¹²

2.1.48. On 1 July the Commission adopted a Regulation¹³ amending the description of certain products on the list of perishable goods eligible for the simplified customs valuation procedures established by the Regulation of 12 June 1981.¹⁴ Also amended was the list of marketing centres annexed to the 1981 Regulation.

¹ OJ C 185, 25.7.1985.

² OJ C 190, 30.7.1985.

³ OJ C 201, 9.8.1985.

⁴ OJ C 204, 13.8.1985.

⁵ OJ C 216, 27.8.1985.

⁶ OJ C 186, 26.7.1985.

⁷ OJ L 193, 25.7.1985.

⁸ OJ L 204, 2.8.1985.

⁹ OJ L 193, 25.7.1985.

¹⁰ OJ L 199, 31.7.1985.

¹¹ OJ L 168, 28.6.1985.

¹² OJ L 134, 31.5.1980.

¹³ OJ L 172, 2.7.1985.

¹⁴ OJ L 154, 13.6.1981.

Competition

Restrictive practices, mergers and dominant positions: specific cases

Prohibited horizontal agreements

Transport by inland waterway

2.1.49. On 10 July the Commission took a Decision¹ under Regulation (EEC) No 1017/68 applying rules of competition to transport by rail, road and inland waterway² finding that two French inland waterway transport associations, the Association of Self-Employed Waterway Carriers (Association Nationale des Travailleurs Indépendants de la Batellerie) and the Federation of Inland Waterway Forwarding Agents (Chambre Syndicale Nationale des Courtiers de Fret Fluviaux), had infringed Article 2 of the Regulation. However, since the Regulation was being applied for the first time, the undertakings concerned were small and their agreement was in force for only four months, no fines were imposed.

The two parties entered into and applied for four months an inter-association agreement whereby the forwarding agents levied an amount of 10% on all charters for destinations abroad, which was later paid to the Boatmen's Cooperative (Entreprise Artisanale de Transport par Eau), whose object is the promotion of inland waterway traffic. Under the agreement the amount collected, known as the 'EATE levy', could be refunded only to EATE members. The agreement had discriminatory effects and impaired the competitive position of a number of foreign carriers.

Distribution

Grundig

2.1.50. On 10 July the Commission granted exemption³ until the end of 1989 for the agreements entered into between Grundig AG and its dealers in consumer

electronic equipment (radios, televisions, video recorders). These dealership agreements comprise clauses setting minimum requirements relating to the technical qualifications of the dealers and the suitability of their trading premises which they must meet if they wish to sell Grundig products. They must also be able to keep Grundig products in stock and on display according to criteria defined by reference to the scale of their business. Every dealer who can satisfy the conditions is entitled to become a Grundig dealer by applying either to the parent company direct or to one of the sole distributors of the make. At present the Grundig distribution system includes some 28 000 dealers in the Community.

This Decision continues the Commission's long-standing policy on selective distribution systems, upheld on numerous occasions by the Court of Justice. In December 1983⁴ an opportunity arose for the Commission to spell out the principles concerning admission of new dealers to selective distribution networks, and it found that the Grundig system complies with those principles.

The consumer electronics market is distinguished by stiff competition between manufacturers and also between dealers. This has brought consumer prices down, and in recent years they have risen far less rapidly than the general cost of living. Competition also leads to swift renewal of product ranges and continuing innovation in the components used in them. Both in Europe and elsewhere manufacturers have accordingly diversified their distribution channels and seek to provide consumers with as wide a choice as possible. In these circumstances a manufacturer who endeavours to organize the distribution of his products in such a way as to guarantee a professional presentation and after-sales service should qualify for exemption from the ban on restrictive practices laid down by the Treaty. This is

¹ OJ L 219, 17.8.1985.

² OJ L 175, 23.7.1968.

³ OJ L 233, 30.8.1985.

⁴ OJ L 376, 31.12.1983: Bull. EC 12-1983, point 2.1.47.

especially the case where the emphasis on after-sales service is not liable to have a significant effect on price setting. The Commission was able to check that consumers purchasing Grundig products can expect not only to receive the standard of after-sales service customary in this industry, but also to benefit from the often considerable price differences between different Grundig dealers.

*Restraint of competition
in the spectacles trade*

2.1.51. In the course of its investigations in the spectacles trade,¹ the Commission found that a number of major Italian manufacturers of and dealers in spectacle frames and glasses and contact lenses were imposing fixed retail prices on the opticians they supplied. These fixed prices applied to all sales, including those in other Member States.

The following firms were involved:

- Industria Ottiche Riunite (IOR) SpA (Oftalmico Galileo, Salmùoiraghi, Krone, Ascot), Venice/Marghera, subsidiary of IRI (Istituto per la Ricostruzione Industriale), Rome
- Zeiss srl, Milan (members of the groups 'lenti oftalmiche' and 'contattologia — lenti a contatto' of the Associazione Nazionale Industria dell' Ottica Fine e di Precisione (Assottica), Milan);
- Essilor Italia SpA, Corsico
- Rodenstock Italia SpA, Milan (members of the group 'lenti oftalmiche' of the Associazione Nazionale Industria dell' Ottica Fina e di Precisione (Assottica), Milan);
- Giuseppe Ratti, Industria Ottica SpA, Turin
- Marcolin SpA, Vallesella di Cadora/Belluno
- La Meccanoptica Leonardo SpA, Agordo/Belluno (members of the Associazione Nazionale Fabbricanti Articoli da Occhialeria (ANFAO), Milan);

- Giorgio Sichel SpA, Padua (member of the Unione Nazionale Importatori Distributori di Occhialeria, Milan).

The Commission also found that a regional association of opticians, Assopto, Varese, which is affiliated to the National Association of Opticians (Federazione Nazionale Ottici Optometristi (Federottica), Milan), required its members to charge fixed retail prices for spectacle glasses and contact lenses. Those prices were laid down in a price list drawn up by the association.

All of these vertical and horizontal price-fixing arrangements restricted price competition on the Italian spectacles market and were also likely to affect trade between Italy and the other Member States to an appreciable extent. In the Commission's view, such price fixing covering an entire sector and the whole territory of a Member State is incompatible with Article 85(1) of the EEC Treaty.² All the firms concerned declared their readiness to change their compulsory prices into non-binding price recommendations, so that opticians will in future be free to decide their own selling prices.

Finally, the Commission found that Safilo, a major manufacturer of spectacle frames, prohibited some exclusive distributors in the Community from reselling goods covered by contract either directly or indirectly to other Member States. Safilo has in the mean time lifted this prohibition, with the result that Safilo dealers are now free to export its products to other Member States.

Motor assessors

2.1.52. Following representations by the Commission, four Luxembourg trade associations lifted the restrictions they had imposed on setting up in business and operating as a motor insurance assessor in the Grand Duchy of Luxembourg; a market has thus been opened up to assessors from

¹ Bull. EC 1-1985, point 2.1.9.

² Answer to Written Question No 1130/83 by Mr Pierre-Bernard Cousté, OJ C 350, 23.12.1983.

other Member States and to insurance companies established in Luxembourg.

These restrictions, which resulted from an agreement between the four trade associations, concerned the repair of material damage caused by traffic accidents. The agreement provided for a collective system for the approval of assessors who evaluate this type of damage and offer their services to insurance companies under motor insurance policies sold in Luxembourg. The system prevented motor assessors, particularly those coming from other Member States, from offering their services freely to the insurance companies concerned—i.e. nearly all the companies writing motor insurance in Luxembourg.

Given the circumstances prevailing in Luxembourg, the Commission considered that this collective system was in restraint of competition and was further reinforced by the nature of the qualifications required, which favoured assessors established in Luxembourg to the detriment of those coming from other Member States, thus constituting undue discrimination. Since the agreement was withdrawn without delay, the Commission did not initiate formal proceedings against the associations concerned.

Industrial and commercial property: copyright

Velcro/Aplix

2.1.53. In a Decision¹ adopted on 12 July under Article 85(1) of the EEC Treaty, the Commission found that the territorial exclusivity granted by a Swiss company, Velcro SA, to a French company, Aplix SA, in a licensing and trademark agreement concerning the manufacture and sale of self-gripping textile fasteners in France was incompatible with the competition rules.

The Commission initiated proceedings following a dispute between the parties and a complaint. When the Decision was adopted the basic patents covered by the licensing agreement had expired. The Commission found that the territorial exclusivity granted

to the licensee in France and the corresponding export ban on the licensor and other licensees in the common market infringed Article 85(1), at least since the expiry of the basic patents covered by the licensing agreement; nor could they be exempted under Article 85(3). However, no fines were imposed since the agreement had been notified.

The Commission accordingly considered that there was no need to make a finding as to the validity of the agreement during the period prior to expiry of the basic patents and to the dispute between the parties. But the Commission did point out that during that period it was possible that certain of the agreement's clauses could either have fallen outside the scope of Article 85(1) or have qualified for exemption pursuant to Article 85(3).

Abuse of dominant positions

IBM

2.1.54. Mr Peter Sutherland, Member of the Commission with special responsibility for competition policy, announced that the Commission had taken stock of the manner in which IBM had fulfilled the undertaking given to the Commission on 1 August 1984.² As a result of the undertaking the Commission suspended the proceedings initiated against IBM on 6 December 1980 under Article 86. IBM undertook to provide certain interface information at the request of competitors in the Community for the attachment of their products to its System/370 products and also to provide certain Systems Network Architecture (SNA) documents. It also undertook to supply, on request, certain central processing units without main memory or with the minimum strictly necessary for testing.

IRM submitted to the Commission a comprehensive report on the first year's operation of the undertaking, stating that it has

¹ OJ L 233, 30.8.1985.

² Bull. EC 7/8-1984, point 1.1.1 *et seq.*; Bull. EC 10-1984, point 3.4.1.

fulfilled its obligations and incorporated the requirements of the undertaking into its business procedures. It has also introduced new procedures and amended others to facilitate handling requests for information. IBM has published the three new manuals referred to in its undertaking which describe aspects of SNA. Since 1 August 1984 15 companies have made inquiries containing over 120 individual requests: 12 were requests for SNA information and the other 108 for System/370. IBM stated that the requests varied in content and complexity. In a few cases requests were refused because they were outside the scope of the undertaking. It received no orders from users for the supply of the System/370 central processing unit without main memory or with the minimum required for testing.

The Commission, for its part, monitored closely the effects of the undertaking during the last 12 months. To this end it maintained a wide range of contacts with the computer industry and examined carefully any question raised by other parties. On the basis of the information available to it, the Commission is satisfied that IBM has been fulfilling its undertaking efficiently and in a spirit of cooperation. Problems concerning interpretation of the undertaking have been solved satisfactorily and those outstanding should be settled shortly. The Commission will, however, continue to monitor the operation of the undertaking and is willing to step in and assist in solving any future problem.

State aids

General aids

Aid for R&D

Federal Republic of Germany

2.1.55. On 8 July the Federal German Government notified the Commission of its intention to vary several key features of its proposed scheme of support for employment in research and development—in

respect of which the Article 92(2) procedure had been initiated¹—so that the period during which firms can receive aid is not extended. These amendments to the aid scheme involve reducing the size of firms (whose staff numbers are limited to 1 000 instead of 3 000) qualifying for aid for the recruitment of additional staff assigned to R&D and excluding software houses from the scheme. The rates of assistance will also be cut.

Since these changes broadly take into account its observations, the Commission decided on 16 July to terminate the procedure.

Regional aids

Italy

Sardinia

2.1.56. The Commission withdrew the objections it raised on 6 February in initiating the Article 93(2) procedure in respect of Section 49 of the Region of Sardinia's Finance Act (No 26/84), which provided for the refinancing of SFIRS (Società Finanziaria Industriale Rinascita Sardegna) and CIS (Credito Industriale Sardo) — agencies responsible for assisting firms in difficulty (Regional Act No 66/76) and supporting the restructuring, conversion, diversification and expansion of firms (Regional Act No 31/83). The procedure had been initiated on account of the lack of adequate information on the procedures for granting assistance to the industries affected by these measures.

Following discussions between the Commission and the Italian authorities, the latter agreed to vary these financing schemes substantially.

Under Regional Act No 66/76 (firms in difficulty) the size of recipient firms has been limited, while combinations of this scheme with other measures having the same purpose are prohibited and the chemicals and

¹ OJ C 73, 19.3.1985.

synthetic fibres industries and—in principle—the clothing industry are excluded. If the Region of Sardinia contemplates exceptional assistance for the clothing industry, it must notify the Commission in advance of proposals to grant aid to firms employing more than 50 persons.

Regional Act No 31/83 (restructuring) has also been limited to small and medium-sized firms, while firms in difficulty, firms covered by Act No 66/76 and firms in the chemicals and synthetic fibres industries do not qualify. Furthermore, both the Community rules on aids to the textile and clothing industry and the Community ceiling in net grant equivalent will be complied with when this Act is applied, whether by itself or possibly in combination with other regional or national provisions.

In its assessment the Commission accordingly took account of the fact that the interest rate charged to the recipients had been raised, that the financing was restricted to one measure per firm and that the firms are in industries which operate mainly on a local market and in a depressed area where the index numbers for income and unemployment are estimated at 71 and 192 respectively compared to a national average of 100.

Sicily

2.1.57. On 10 July the Commission decided to terminate the Article 93(2) procedure¹ initiated on 19 March 1984 in respect of Section 1 of Regional Act No 119/83, which provided for the refinancing by the Sicilian Region of an Irfis (Istituto Regionale Finanziamento Industrie Siciliane) revolving fund used to grant low-interest loans to firms for building up stocks of raw materials and finished products.

The Commission was able to withdraw its objections to these measures, which are to be applied until the end of 1986, in the light of the changes made to the scheme and the additional information supplied by the Italian authorities on its operational procedures. In its assessment the Commission

also took account in particular of the fact that the scheme applies to small and medium-sized businesses, that the rate of interest payable by the recipients has been raised, that the firms are in industries operating mainly for the local market in a depressed area and that the financing is limited to one measure per firm.

Belgium

2.1.58. Having carried out the review provided for in its Decision of 22 July 1982,² the Commission decided on 31 July that the *arrondissements* of Hasselt, Maaseik and Tongeren would continue to be classified in the 20% net grant equivalent category and that before the end of the three-year period running from this new decision it would review once again the socio-economic situation in these *arrondissements*. In agreeing to retain this 20% ceiling, the Commission noted in particular the very high unemployment in the province of Limburg, but it limited the period of application of the ceiling to three years because of the buoyancy of the province's economy and also because, save for the coal industry, the region's industries have only minor structural problems.

The Commission also decided against amending the provisions of its July 1982 Decision in regard to the Mouscron area and Noord Hageland. Regional aid may accordingly no longer be granted in these two areas from 23 July. This decision is warranted on account of the notable improvement in the employment situation and the substantial progress in incomes in the areas concerned.

The July 1982 Decision was one whereby the Commission outlined its position on the development areas designated under Section 11 of the Belgian Economic Expansion Act of 30 December 1970. In Article 1 of its Decision the Commission classified the *arrondissements* of Hasselt, Maaseik and Tongeren in the province of Limburg in the

¹ Bull. EC 3-1984, point 2.1.49.

² OJ L 312, 9.11.1982; Bull. EC 7/8-1982, point 2.1.38.

20% net grant equivalent category for three years. The grant of regional aid in the *arrondissement* of Mouscron and in Noord Hage-land in the *arrondissement* of Leuven was also limited to three years. It also decided to review the socio-economic situation in the areas concerned before that period expired.

Federal Republic of Germany

2.1.59. On 31 July the Commission decided to initiate the Article 93(2) procedure in respect of the grant of aid in the Düren employment area under the North Rhine-Westphalia economic development programme. The objections to the measure are based in particular on the improvement in the region's employment situation.

Following the Commission's initiation of the Article 93(2) procedure in respect of the Joint Federal Government/Länder programme for improving regional economic structures (*Gemeinschaftsaufgabe*),¹ the Düren employment area was to be excluded from the programme at the end of a transition period expiring on 31 December 1984.² However, North Rhine-Westphalia proposed to include it among its development areas from 1 January 1985. Now that the Commission has raised objections to the measure, no regional aid may be granted in the Düren employment area until a final decision is taken.

However, the Commission authorized inclusion of the Soest employment area in the Land aid scheme, since economic activity there is well below the federal average. It agreed to retain the Land aid scheme in the Essen-Mülheim employment area until 31 December 1985 on account of the sharp rise in unemployment there.

Industry aids

Synthetic fibres

Federal Republic of Germany

2.1.60. Having received the comments of interested parties, the Commission decided

on 10 July that the assistance granted by the German Government to a polyamide and polypropylene yarn manufacture in Bergkamen—in respect of which it had initiated the Article 92(3) procedure in January³—was unlawful and incompatible with the common market within the meaning of Article 92.

The recipient firm used this aid—in contrast to the intentions declared in its application—to increase its production capacity for polyamide and polypropylene yarn, which, where polyamide was concerned, was at the time contrary to the synthetic fibres and yarns aid code.⁴

The Commission concluded that the assistance, which had been granted in 1983 without prior notification and affected trade between Member States to an extent contrary to the common interest, did not meet the conditions for exemption under Article 92(2) and (3). It accordingly decided that the recipient must repay the aid.

Shipbuilding

2.1.61. On 3 and 31 July the Commission decided to terminate the Article 93(2) procedures initiated in 1984 in respect of aid schemes for the shipbuilding industry notified by the United Kingdom,⁵ Italy,⁶ the Netherlands⁷ and France.⁷ In opening these various procedures the Commission considered that the restructuring measures initially proposed by the Governments concerned were not extensive enough to attain the objectives laid down by the Council Directive of 28 April 1981 on aids to shipbuilding⁸ in force until 31 December 1986. It also feared that the large amount of assistance proposed would have adverse reper-

¹ OJ C 316, 4.12.1981; Bull. EC 11-1981, point 2.1.37.

² Bull. EC 6-1983, point 2.1.65; Bull. EC 10-1983, point 2.1.48.

³ Bull. EC 1-1985, point 2.1.12.

⁴ Bull. EC 7/8-1983, point 2.1.46.

⁵ Bull. EC 7/8-1984, point 2.1.70.

⁶ Bull. EC 10-1984, point 2.1.46.

⁷ Bull. EC 11-1984, point 2.1.45.

⁸ OJ L 137, 23.5.1981; OJ L 371, 30.12.1982; OJ L 2, 3.1.1985.

cussions on competition between Community yards and jeopardize the successful outcome of restructuring already undertaken by the other Member States.

Following detailed consultations between the Commission and the governments in question in the context of the procedures initiated, it was possible to redefine some features of the proposed measures and to clarify the restructuring objectives and means selected to attain them. The Commission thus agreed to aid intensities slightly higher than those authorized under previous schemes on account of the worsening crisis in the shipbuilding industry in the Member States concerned and of the extent of the planned restructuring measures. On the basis of assurances received, the following measures were authorized:

United Kingdom

2.1.62. The Commission approved a total budget of UKL 140 million to finance production subsidies of up to 22.5% of the contract price of ships built by British Shipbuilders, Harland & Wolff and the private sector and up to 27.5% of the price of ships of more than 70 000 dwt built by Harland & Wolff. The restructuring measures constituting the compensatory justification for this scheme should enable the UK Government to put an end to the losses made by the nationalized yards.

Italy

2.1.63. The Commission authorized establishment of a LIT 700 000 million budget to finance production aid of up to 25% of the contract price of vessels (30% for yards in the Mezzogiorno). The tonnage built by small and medium-sized yards qualifying for production aid was restricted to 80 000 cgt in 1984, 70 000 cgt in 1985 and 60 000 cgt in 1986. An exception was made for ship repair aid and a rate of 8% authorized (15% in the Mezzogiorno), to be paid from a total loan budget of LIT 90 000 million, subject to submission to the Com-

mission by 31 December 1985 of a radical restructuring plan for the industry.

The restructuring measures which the Italian Government has decided to take should bring about a considerable reduction in the losses made by the yards belonging partially or entirely to the public sector.

Netherlands

2.1.64. The aid previously authorized by the Commission for 1984 (the rate varying between 1.5% and 7% according to the value of the vessels) may be increased by an additional average 3 points on account of the very pronounced deterioration in the industry during that year.

France

2.1.65. Having examined the circumstances attached to the procedures and object of the FF 3 000 million grant of assistance to Nord-Méditerranée, the Commission decided that the aid satisfied the conditions laid down in Article 4 of the April 1981 Directive¹ concerning compatibility with the common market. It also authorized the grant of a FF 300 million subsidy to Alsthom-Atlantique under Article 5 of the Directive since the assistance enabled the firm to implement the social aspects of its restructuring programme.

2.1.66. On 31 July the Commission decided to initiate the Article 93(2) procedure in respect of the scheme of assistance for the shipbuilding and ship repair industry which the French Government proposed to apply from 1 January 1985 to 31 December 1986. It considered that the aids which the French Government intended to grant to the yards—production aid of up to 30% of the price of vessels built by large yards, 20% of those built by medium-sized yards (30% in exceptional cases) and 10% of those built by small yards (20% in exceptional cases), FF 1 850 million in restructuring pre-

¹ OJ L 137, 23.5.1981; OJ L 371, 30.12.1982; OJ L 2, 3.1.1985.

miums for one shipbuilding yard and FF 300 million for five large ship repair yards—were not compatible with the conditions laid down in Articles 4 and 6 of the April 1981 Directive. The proposed aid did not appear to be justified by adequate restructuring efforts aimed at eliminating existing surplus capacity. The Commission was also concerned about the intensity of the proposed assistance, which was liable to have uneven repercussions on the adaptation of capacity to market conditions in progress in other Member States.

2.1.67. Finally, on 3 July the Commission decided to raise no objection to the grant by the French Government of production aid amounting to 20% of the contract price of a vessel for transporting refined petroleum products built by a yard on the Atlantic coast. It took account in particular of the fact that there was no competition for this order from other Member States and that the rate of aid applied was equivalent to that in force under the previous scheme, which came to an end on 31 December 1984.

Steel

2.1.68. On 31 July the Commission agreed to the payment of some 4 000 million ECU in assistance to the Community steel industry in return for additional capacity cuts of more than 2 million tonnes. The aid authorized by the Commission for the period 1980-85 will total some 37 500 million ECU. Altogether the European steel industry will have reduced its production capacity by almost 32 million tonnes since 1980. This conforms to the political commitment¹ made by the Ten at Elsinore in November 1982, thus creating the conditions required for a return to viability in the industry in 1986.

The decisions recently adopted concern various undertakings in six Member States: Belgium, France, Federal Republic of Germany, Ireland, Italy and Luxembourg. These are the last decisions under the steel aids code adopted in June 1981.² Some of the deadlines in the code were extended following the consensus reached at the

Council meeting on industry held on 26 March.³ This enabled those countries that so wished to notify further aid and financial measures in addition to those authorized by the Commission on 29 June 1983.⁴

The recent decisions are based on the criteria adopted by the Commission in the light of the Council's discussions on 26 March. The Commission accordingly authorized aid to promote the financial restructuring of undertakings, so as to reduce their debt-service charges at least to the level borne by undertakings that were profitable in 1984 or to cover costs occasioned by additional capacity reductions. In return for this assistance, the Commission required the capacity cuts needed to guarantee the viability of recipient undertakings or—where it had already taken up a position on such viability—capacity cuts which affected neither viability nor trading conditions. It agreed that some of the additional closures need not be made until 1986, to enable the undertakings concerned to make the investments necessary for transferring to other plants the production from installations to be closed down.

Before taking these decisions the Commission consulted the Member States on all these matters at multilateral meetings held on 27 June and 8 and 9 July. All the assistance authorized by the Commission must be paid before the end of 1985. This will bring to an end the voluntary restructuring measures introduced by adoption of the aids code² in 1981 and will enable the European steel industry to tackle by its own strength, from the start of next year, a market opening up gradually to free competition.

2.1.69. With regard to state aid after expiry of the aids code in December, on 16 July the Commission transmitted to the Council a communication on the rules on

¹ Bull. EC 11-1982, point 2.1.15.

² OJ L 228, 13.8.1981; Bull. EC 6-1981, point 1.4.3.

³ Bull. EC 3-1985, point 2.1.42.

⁴ OJ L 227, 19.8.1983; Bull. EC 6-1983, point 1.1.1 *et seq*

aid and financial transfers to the steel industry after 1985 (→ point 1.7.1 *et seq.*).¹

National monopolies of a commercial character

France: alcohol monopoly

2.1.70. The French Government has taken steps to reform its alcohol monopoly, thus complying with the Commission's reasoned opinion finding that the system was incompatible with the common market.

In June 1984 the Commission found that the monopoly was organized in such a way as to protect national production of alcohol by making imports of alcohol from other Member States more expensive, notably through the charging of a sort of duty that could amount of 50% of the price, net of tax, of the imported alcohol. The duty in question, known as the *soulte*, was charged both on imported alcohol and on alcohol produced in France, with the crucial difference that, in the case of home-produced alcohol, the revenue was paid to the monopoly, which then used it to purchase the French distillers' alcohol production at a higher price than that at which it sold the alcohol.²

The reform of the French alcohol system, set for 1 September 1985, will liberalize the sector in France, the monopoly applying in future only to alcohol distilled from sugar beet. This means in effect that trade in other types of alcohol, including alcohol distilled from molasses and synthetic alcohol, will no longer involve the Service des Alcools. It will in future be possible for all these types of alcohol to be marketed freely without attracting the *soulte*.

In thus successfully pressing for changes in the French alcohol monopoly, the Commission has managed to settle the main problem that was still outstanding as regards adjustment of the traditional monopolies operating in the original Member States.

Public undertakings

Transparency of financial relations between Member States and public undertakings

2.1.71. On 24 July the Commission adopted, under Article 90(3) of the EEC Treaty, a Directive³ extending the scope of the Directive of 25 June 1980 on the transparency of financial relations between Member States and public undertakings.⁴

The original Directive did not apply to public undertakings operating in the areas of energy, water, posts and telecommunications or transport, or to public credit institutions. Given the development of competition in these sectors and the increasing integration of the Member States' economies, it appeared necessary to ensure the transparency of financial relations between Member States and public undertakings in these areas too.

The transparency Directive is designed to enable the Commission to assess whether the resources made available to the public undertakings are liable to constitute State aids and should be treated as such or whether, on the contrary, such resources are allocated to undertakings in the form of risk capital under the normal conditions of a market economy. The Commission's action in extending the scope of the transparency Directive ties in with its efforts to clarify application of the competition rules and more particularly those concerning State aid. The Commission's notice of September 1984 on public authorities' holdings in the capital of public-sector and private-sector undertakings⁵ is a further example of this move in an area neighbouring on that of the transparency Directive.

The Directive concerns the financial relations established through public funding

¹ COM(85) 376 final.

² Bull. EC 3-1983, point 2.1.40; Bull. EC 4-1983, point 2.1.56; Bull. EC 2-1984, point 2.1.57.

³ OJ L 229, 28.8.1985.

⁴ OJ L 195, 29.7.1980; Bull. EC 6-1980, point 2.1.34.

⁵ Bull. EC 9-1984, point 3.5.1.

of State-controlled undertakings only, whereas the Commission's notice of September 1984¹ mainly concerns cases where public authorities' holdings constitute aids to undertakings in both the public and private sectors. By extending the scope of the transparency Directive the Commission wishes to ensure that the rules on State aid are applied equitably also to public undertakings.

Financial institutions and taxation

Financial institutions

Banks

Coordination of banking legislation

2.1.72. On 8 July the Council approved² an amendment³ to its Directive of 12 December 1977 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions.⁴ The purpose was to allow Greece to continue to apply for a transitional period the criterion of economic need as a condition for the taking up of banking. As with the other Member States authorized to apply this criterion (France, Ireland and Italy), the transitional period will come to an end on 15 December 1989. The amended Directive provides though that, on a request from Greece, the Commission may, if appropriate, propose to the Council that the transitional period for Greece be extended until 15 December 1992 by way of exception.

Taxation

Indirect taxes

Turnover taxes

2.1.73. On 16 July the Council adopted⁵ the seventeenth VAT Directive, concerning

exemption from value-added tax on the temporary importation of goods other than means of transport.⁶ The Directive applies to a wide range of goods that will in future qualify for exemption when imported for a maximum duration of 24 months provided they remain the property of a person established outside the territory of the Member State of importation.

2.1.74. On 16 July the Council also adopted,⁷ in accordance with the agreement reached in June,⁸ the twentieth VAT Directive,⁹ authorizing the Federal Republic of Germany, by way of derogation from the sixth Directive,¹⁰ to use the VAT mechanism to grant special aid to farmers by way of compensation for the dismantling of monetary compensatory amounts.

2.1.75. The Council decision¹¹ granting the United Kingdom a derogation under Article 27(1) of the sixth VAT Directive¹⁰ was deemed to have been adopted¹² on 13 June since, within two months of the other Member States being informed in April, neither the Commission nor any Member State had requested that the matter be raised by the Council. The derogation is intended to prevent tax evasion under certain marketing arrangements.

2.1.76. On 3 July the Economic and Social Committee delivered its opinion (→ point 2.5.39)¹³ on two proposals, the first for an eighteenth Directive¹⁴ (on the abolition of

¹ Bull. EC 9-1984, point 3.5.1.

² OJ L 183, 16.7.1985.

³ OJ C 153, 13.6.1984; Bull. EC 5-1984, point 2.1.64.

⁴ OJ L 322, 17.12.1977; Bull. EC 12-1977, point 2.1.64.

⁵ OJ L 192, 24.7.1985.

⁶ OJ C 244, 13.9.1984; Bull. EC 7/8-1984, point 2.1.84;

OJ C 68, 15.2.1985; Bull. EC 2-1985, point 2.1.41.

⁷ OJ L 192, 24.7.1985.

⁸ Bull. EC 6-1985, point 2.1.55.

⁹ OJ C 214, 14.8.1984; Bull. EC 7/8-1984, points 2.1.83 and 2.1.117; OJ C 131, 30.5.1985; Bull. EC 5-1985, point 2.1.36.

¹⁰ OJ L 145, 13.6.1977; Bull. EC 5-1977, points 1.3.1 to 1.3.4.

¹¹ Bull. EC 6-1985, point 2.1.56.

¹² OJ L 199, 31.7.1985.

¹³ OJ C 218, 29.8.1985.

¹⁴ OJ C 347, 29.12.1984; Bull. EC 12-1984, point 2.1.77.

certain derogations provided for in the Directive of 17 May 1977 concerning the common system of value-added tax¹) and the second for a nineteenth Directive² (clarifying and amending certain provisions of the 1977 Directive).

Tax exemption

2.1.77. On 8 July the Council adopted³ four Directives dealing with tax exemptions (for travellers, for small consignments of a non-commercial character and for fuel) on which it had reached agreement in June.⁴

Direct taxes

Cooperation between firms from different Member States

2.1.78. On 5 July the Commission sent to the Council a communication on tax measures aimed at encouraging cooperation between firms from different Member States.⁵ This amends the Commission's proposal of 16 January 1969 on the common tax arrangements applicable to companies and subsidiaries of different Member States.⁶ The Commission has thus taken account of the problem posed by the withholding tax levied in the Federal Republic of Germany on dividends distributed to parent companies situated in other Member States.

The following compromise arrangement has been proposed:

- the German withholding tax should not exceed 10%;
- the Member States which at present levy a withholding tax on dividend payments to companies situated in Germany would reduce it in proportion to the reduction granted in their favour by Germany; the rate should not, however, exceed 5%.

The Commission also proposes that a clause be inserted to deal with the situation that would result from a reduction of the present difference between the two rates of corporation tax in Germany, and that the con-

ditions be specified on which the derogation for Greece will apply.

This new proposal is part of a comprehensive scheme launched by Mr Tugendhat in January 1984⁷ and accorded priority by the Council the following March.⁸

Employment, education and social policy

Social developments in 1984

2.1.79. On 4 July the Economic and Social Committee delivered an opinion on social developments in the Community in 1984 (→ point 2.5.34),⁹ basing itself on the Commission's report.¹⁰

International Youth Year

2.1.80. In connection with International Youth Year, on 3 July the Commission sent a memorandum to the Council, Parliament and the Economic and Social Committee commenting on progress achieved in activities for young people and setting out policy guidelines relating to employment, education and vocational training.¹¹

The memorandum stressed the need to achieve job-creating economic growth which must be complemented by action to develop the Community's human resources. In particular, the Commission proposes to undertake, within the next 12 months, action to:

- maximize job-creation potential related to the redistribution of work;

¹ OJ L 145, 13.6.1977; Bull. EC 5-1977, points 1.3.1 to 1.3.4.

² OJ C 347, 29.12.1984; Bull. EC 12-1984, point 2.1.78.

³ OJ L 183, 16.7.1985.

⁴ Bull. EC 6-1985, points 2.1.57 to 2.1.60.

⁵ COM(85) 360 final.

⁶ OJ C 39, 2.3.1969.

⁷ Bull. EC 2-1984, point 2.1.58.

⁸ Bull. EC 3-1984, point 2.1.56.

⁹ OJ C 218, 29.8.1985.

¹⁰ Bull. EC 4-1985, point 2.1.48.

¹¹ COM(85) 247 final.

- improve the operation of the labour market, especially at local level;
- ensure that all young people acquire a better understanding of the new technologies before entering the labour market;
- ensure closer cooperation between higher education institutions and industry (→ point 1.6.1 *et seq.*);
- increase the occupational and geographical mobility of young people;
- assist disadvantaged young people;
- exploit the cultural diversity of the Community.

2.1.81. On 10 July Parliament adopted a resolution on International Youth Year (→ point 2.5.14).¹

Employment

Employment and the labour market

2.1.82. Conferences on measures for young people adopted by employers were held in the United Kingdom, Ireland, France, the Federal Republic of Germany, Italy and Belgium. They provided an opportunity to evaluate and examine the practical aspects of these measures, particularly new recruitment schemes at local level to combat youth unemployment. The findings of these conferences will be set out in a summary report to disseminate information on innovative practices which could be introduced in other Member States.

Financial instruments

European Social Fund

2.1.83. On 19 August the Commission transmitted to the Council a proposal² amending the implementing Regulation relating to the Council Decision of 17 October 1983 on the tasks of the European Social Fund.³ The proposal seeks to place self-employed workers on the same footing as

wage earners as regards recruitment aid for the creation of additional jobs.

Measures for ECSC workers

Redeployment aid

2.1.84. In July the Commission approved a new set of measures under Article 56(2)(b) of the ECSC Treaty involving a total of 34 217 750 ECU.⁴ The aid consists mainly of income supplements in respect of early retirement, unemployment or re-employment and aid for vocational training.

Table 6 — *Distribution of appropriations and recipients, by industry and by Member State*

	Number of recipients	Appropriations committed (ECU)
<i>Iron and steel</i>		
Germany (FR)	2 990	4 569 500
Ireland	40	35 000
United Kingdom	527	2 393 250
	3 557	6 997 750
<i>Coal</i>		
Germany (FR)	6 505	27 220 000
Total	10 062	34 217 750

Social measures for the steel and coal industries

2.1.85. On 28 August the Commission sent to the Council proposals for decisions to make two transfers from the general budget to the ECSC budget—62.5 million ECU for the steel industry and 60 million ECU for the coal industry.⁵

¹ OJ C 229, 9.9.1985.

² OJ C 237, 18.9.1985; COM(85) 451 final.

³ OJ L 289, 22.10.1983; Bull. EC 10-1983, point 1.3.1 *et seq.*

⁴ OJ L 237, 4.9.1985.

⁵ COM(85) 428 final.

At the same time the Commission proposed that an exceptional contribution of 265 million ECU be granted to the ECSC from the general budget. The cost of measures proposed by the Commission for the period 1984-86 totals 510 million ECU (180 million for coal¹ and 330 million for steel²). As 122.5 million ECU of this total was transferred in 1984 (60 million for coal and 62.5 million for steel) and provision is made for identical amounts under the 1985 budget, there remains 265 million ECU to be transferred to cover payments still to be financed in 1984-86 for the steel industry and 1985-86 for the coal industry.

Education and vocational training

Cooperation in education

2.1.86. The annual informal meeting of senior education officials took place in Echternach from 1 to 3 July at the invitation of the Luxembourg Ministry of Education. Following on from the previous meeting in Montpellier, the theme was the major reforms in secondary education. The discussions focused on the adaptation of curricula to take account of social and economic changes, ways and means of encouraging a spirit of enterprise among young people, and the related implications for assessment and certification, particularly on completion of compulsory schooling.

Higher education

2.1.87. As part of its programme to encourage cooperation in higher education between the Member States, the Commission announced the award of 225 grants for joint study programmes—structured cooperation programmes between higher education institutions—of which 144 are renewals and 81 are new grants. A total of 148 preparatory visit grants for joint study programmes were also made. Of the joint study programme grants, over two thirds benefited from financial support for the students.

Vocational training

2.1.88. On 16 July the Council adopted a Decision³ on the comparability of vocational training qualifications between the Member states,⁴ on which it had reached agreement in June.

New technologies

2.1.89. On 6 August the Commission sent to the Council a communication and a proposal for a Decision adopting an action programme of the Community in education and training for technology (Comett) (→ point 1.6.1 *et seq.*).

2.1.90. The second European Summer School,⁵ organized by the Commission and the Belgian authorities with technical assistance from the teaching laboratories of Liège and Ghent Universities, was held in Liège from 4 to 13 July. The subject—information technologies and primary school—is part of the Commission work programme on IT and the school systems in the Community for 1985-87.⁶

2.1.91. In connection with International Youth Year (1985), the Commission and the Italian authorities organized a seminar on 'Young Europeans and new technologies', which took place from 7 to 13 July in Turin. Over 150 young people from the ten Member States had an opportunity to learn about new developments in, and applications of, information technologies. This group of young people, aged 15 to 18, was selected by the Member States usually on the basis of 'best software' competitions; they visited leading firms to see for themselves how and why these new technologies are changing the production of goods and services. They also had an opportunity to practise advanced techniques. This seminar demonstrated that young people, new technologies

¹ Bull. EC 10-1983, point 2.3.4.

² Bull. EC 4-1983, point 2.3.7.

³ OJ L 199, 31.7.1985.

⁴ OJ C 208, 8.8.1984; Bull. EC 7/8-1984, point 2.1.99.

⁵ Bull. EC 7/8-1984, point 2.1.96.

⁶ Bull. EC 1-1985, point 2.1.22.

and Europe formed a natural alliance which could mean new hope for the continent's future.

Living and working conditions and social protection

Equal rights for men and women

2.1.92. On 12 July Parliament delivered its opinion¹ on the Commission memorandum on income taxation and equal treatment for men and women.² Noting that the tax status of married women is less favourable than that of single women—which discourages marriages—Parliament came out in favour of a neutral system in this respect and reiterated the desirability, as the long-term objective of tax reform, of a mandatory system of individual taxation for husband and wife. The Commission was urged to prepare a draft directive along these lines without delay.

2.1.93. The Economic and Social Committee delivered its opinion³ on the Commission memorandum² on 4 July (→ point 2.5.35); like Parliament, it called on the Commission to draw up a directive.

2.1.94. The United Nations conference marking the end of the Decade for Women took place in Nairobi from 13 to 26 July, with a mandate to assess action taken and define strategies for the future. The Community, whose delegation was headed by Mr Peter Sutherland, Member of the Commission with special responsibility for social affairs, and Mr Jean Spautz, Luxembourg's Minister for Family Affairs, Housing and Social Solidarity, participated actively in the conference, which covered a number of topics within the Community's ambit.

Social integration of immigrants

2.1.95. On 16 July the Council formally adopted a resolution on guidelines for a Community policy on migration,⁴ which it had approved in June.⁵

2.1.96. On 8 July the Commission took a Decision setting up a prior communication and consultation procedure on migration policies in relation to non-member countries.⁶ This requires Member States to give the Commission and the other Member States in good time (not later than the time of publication) advance notice of:

- draft measures which they intend to take with regard to workers and members of their families from non-member countries (in the areas of entry, residence and employment, equality of treatment in living and working conditions, wages and economic rights, the promotion of integration into the workforce, society and cultural life, and voluntary return to countries of origin);
- draft agreements relating to these matters, as well as draft cooperation agreements which they intend to negotiate or renegotiate with non-member countries, when these agreements involve provisions relating to the abovementioned matters;
- draft agreements relating to conditions of residence and employment of their nationals working in non-member countries and members of their families, which they intend to negotiate or renegotiate with those countries.

A Member State can, on its own initiative, request that consultation be arranged. The objectives of the consultation procedure, which is to be organized by the Commission, are to facilitate the exchange of information and identify problems of common interest, ensure that measures taken and agreements made by Member States do not compromise Community policies, and examine the possibility of achieving progress towards harmonization of national legislation.

This decision does not affect the responsibilities of the Advisory and Technical

¹ OJ C 229, 9.9.1985.

² Bull. EC 12-1984, point 2.1.97.

³ OJ C 218, 29.8.1985.

⁴ OJ C 186, 26.7.1985.

⁵ Bull. EC 6-1985, point 2.1.47.

⁶ OJ L 217, 14.8.1985.

Committees operating under Regulation (EEC) No 1612/68 on freedom of movement for workers within the Community.¹

Social security for migrant workers

2.1.97. On 8 August the Commission transmitted to the Council a proposal² amending the Regulation of 14 June 1971 on the application of social security schemes to employed and self-employed persons and their families moving within the Community.³ The proposal introduces special provisions for the coordination of certain non-contributory benefits for which the conditions of entitlement differ from traditional rules in the social security sector. It will thus give substance to one of the specific objectives set out in the Commission communication to the Council in March on guidelines for a Community policy on migration (→ point 2.1.95).⁴

Paul Finet Foundation

2.1.98. The Executive Committee of the Paul Finet Foundation examined 63 applications and awarded 55 grants for a total of BFR 833 887.

Health and safety

Public health

2.1.99. On 26 July, to take account of Parliament's opinion,⁵ the Commission amended⁶ its proposal for a Council recommendation concerning the introduction of a European emergency health card.⁷ This would give anyone—rather than only people suffering from chronic illnesses—the possibility of carrying an emergency health card. The proposal specifies that the card should contain no references to hospital medical file numbers.

Health and safety (Euratom)

2.1.100. A working party met in Luxembourg on 22 and 23 July to examine the Commission's technical recommendations

in respect of radiation levels and adapt them to the principles defined in the 1980 and 1984 versions of the Directive establishing basic safety standards for the health protection of the general public and workers against the dangers of ionizing radiation.⁸

Regional policy

Coordination and programmes

Regional development programmes

2.1.101. On 12 July Parliament adopted a resolution (→ point 2.5.14)⁹ on second-generation regional development programmes.¹⁰

Financial instruments

European Regional Development Fund

ERDF grants

Project financing

2.1.102. On 15 July the Commission approved the first allocation of grants for 1985 from the European Regional Development Fund: 155.15 million ECU for 778 investment projects in nine Member States costing a total of 616.53 million ECU. Each of the investment projects concerned costs less than 5 million ECU.

The assistance granted under this allocation is distributed among the Member States as shown in Table 7.

¹ OJ L 257, 19.10.1968.

² OJ C 240, 21.9.1985; COM(85) 396 final.

³ OJ L 149, 5.7.1971; OJ L 230, 22.8.1983; Bull. EC 7/8-1983, points 2.1.66 and 2.1.67; OJ L 160, 20.6.1985; Bull. EC 6-1985, point 2.1.79.

⁴ Bull. EC 2-1985, point 1.3.1 *et seq.*

⁵ OJ C 337, 17.12.1984; Bull. EC 11-1984, point 2.1.69.

⁶ OJ C 223, 3.9.1985; COM(85) 439 final.

⁷ OJ C 21, 28.1.1984; Bull. EC 12-1983, point 2.1.88.

⁸ OJ L 246, 17.9.1980.

⁹ OJ C 229, 9.9.1985.

¹⁰ OJ L 211, 8.8.1984; Bull. EC 7/8-1984, point 2.1.65.

Table 7 — ERDF grants: first 1985 allocation

	Number of grant decisions	Number of investment projects	Investment assisted (million ECU) ¹	Assistance granted (million ECU) ¹
Belgium	5	11	15.27	7.63
Denmark	2	27	15.67	1.11
Germany (FR)	19	60	74.36	9.94
Greece	3	4	4.94	0.98
France	25	323	177.92	34.74
Ireland	4	39	72.61	16.96
Italy	7	20	26.48	10.55
Luxembourg	—	—	—	—
Netherlands	4	6	10.98	2.57
United Kingdom	70	288	218.29	70.67
Total	139	778	616.52	155.15

¹ Converted at January 1985 rates.

The total of 155.15 million ECU breaks down as follows:

- 29.06 million ECU to help finance 212 projects in the industrial, craft and service sectors;
- 126.09 million ECU to help finance 566 infrastructure projects.

This first ERDF allocation for 1985 brings the number of projects financed since the Fund was set up to 26 634 and the total assistance granted to approximately 11 686 million ECU.

2.1.103. The ERDF Committee met on 18 July and delivered its opinion on the draft grant decisions under the second 1985 allocation from the Fund.

Financing of programmes

2.1.104. On 12 July Parliament delivered its opinion¹ on the Commission proposals presented to the Council on 21 December 1984—for Regulations supplementing the second series of specific measures.² It welcomed these proposals, reaffirming its support for this type of measure based on genuinely Community criteria. It also endorsed the proposal for amending Article 45 of the Fund Regulation³ to ensure that these

supplementary measures can be financed in the same way as those already in force.

Financing of studies

2.1.105. Acting under Article 24 of the Fund Regulation, the Commission decided in July to grant 0.511 million ECU to finance the following 13 studies closely connected with Fund operations in the United Kingdom:

- development projects and a marketing framework for the development of tourism in Montgomery;
- the commercial feasibility and potential for further tourist-based recreational facilities in Kirkleatham;
- the potential for further tourist-based facilities in Barmouth;
- the viability of reclaiming a former toxic waste disposal tip for use as an industrial development site in Flint;
- the feasibility of a museum based on the mining history of Trehafod and Hopkins-town;

¹ OJ C 229, 9.9.1985.

² OJ C 70, 18.3.1985; Bull. EC 12-1984, point 2.1.113.

³ OJ C 143, 12.6.1985; Bull. EC 5-1985, point 2.1.65.

- the development of tourism in and the commercial regeneration of Holywell;
- an economic plan based on the use of the natural resources of County Tyrone;
- a five-year plan for promoting the industrial development of Lisburn;
- the creation of a wildfowl centre at Machynys;
- the economic impact of tourist and associated arts developments in Merseyside;
- the economic revitalization of Skelmersdale;
- the economic impact of the availability of a proposed highway on the commercial attractiveness of industrial land and premises in Coventry;
- the commercial future of the upper reaches of the Manchester Ship Canal.

*Coordinated application
of different financial instruments*

Integrated Mediterranean programmes

2.1.106. Following the conciliation meeting with Parliament on 23 July, the Council, which in June had reached a common position¹ on the proposal for a Regulation concerning the integrated Mediterranean programmes (IMPs)²—adopted on the same date the Regulation setting up the IMPs,³ which came into force on 1 August.

The Council adopted Parliament's suggestions on a large number of points, notably two fundamental ones. As Parliament wished, the decision-making procedure for the implementation of the IMPs delegates extensive powers to the Commission, and the Council also adopted a very wide field of application for the use of the additional line of 1 600 million ECU. Furthermore, with a view to ensuring adequate information on the IMPs, the Council agreed to two suggested amendments concerning publication in the Official Journal of Commission decisions approving programmes and programme contracts.⁴

2.1.107. As part of the action in preparation for the integrated Mediterranean programmes, the Commission adopted on 18 June 16 decisions to grant assistance for special operations, including three studies. These decisions relate to the regions of Corsica and Languedoc-Roussillon and the department of Hérault in France, Sardinia in Italy, the prefectures of Ioannina, Evritania and Florina and the islands of Lesvos and Limnos in Greece, and the fishing and aquaculture sector in the Mediterranean regions of those three countries. At the same time, the Commission amended its Decision of 14 December 1984 concerning the granting of assistance for operations forming part of the pilot measure on the island of Lesvos.⁵

2.1.108. On 12 August the Commission adopted two other decisions to grant assistance in Italy: the first for special operations connected with the pilot measure in Latium and the second concerning a contribution to a study of water-bearing beds in Apulia.

Integrated operations

2.1.109. On 5 August the Commission approved a grant of UKL 78 000 to Bradford Metropolitan Borough Council in the United Kingdom as a contribution to a preparatory study for an integrated operation. The city of Bradford is faced with serious social and economic problems as a result of industrial restructuring.

Disaster relief

2.1.110. On 24 July the Commission decided to grant emergency aid of 1 million ECU to the families of the victims of the disaster which occurred in the Fiemme valley (Dolomites) in Italy on 19 July. The disaster (a dam burst) led to the death or

¹ Bull. EC 6-1985, point 2.1.89.

² Bull. EC 4-1984, point 2.1.67.

³ OJ L 197, 27.7.1985.

⁴ OJ C 175, 15.7.1985; Bull. EC 6-1985, point 2.1.91.

⁵ OJ L 37, 8.2.1985; Bull. EC 12-1984, point 2.1.108.

disappearance of more than 300 people and to serious damage to private property.

*

2.1.111. On 12 July Parliament adopted a resolution on the importance of water resources for the growth and development of certain regions of the Community (→ point 2.5.14).¹

Environment and consumers

Environment

Prevention and reduction of pollution and nuisances

Freshwater and marine pollution

Dumping at sea

2.1.112. On 13 August the Commission sent the Council a fresh proposal for a Directive on the dumping of waste at sea,² with a view to preventing marine pollution. It replaces the proposal on the same subject³ which the Commission put to the Council on 12 January 1976. The new proposal is based on the three Community action programmes on the environment⁴ and also takes account of two Parliament resolutions—one on the dumping of chemical and radioactive waste at sea, the other on the combating of pollution in the North Sea—and of a number of international conventions, from which the Commission has drawn some of the rules while imposing the tightest possible standards.

The main means proposed to achieve the stated objectives are:

- to prohibit the dumping at sea, on the seabed or in the subsoil of certain particularly dangerous substances and to prohibit the interim storage of such waste or of other materials; incineration of these substances and wastes at sea is also prohibited;

- to stop issuing new permits to dump certain particularly harmful substances and progressively to cut down dumping in general;

- to introduce a system of prior authorization for all dumping and incineration of wastes and materials other than those banned from dumping at sea;

- to set a date by which incineration of waste at sea must cease;

- to introduce a uniform set of criteria to be considered by the national authorities prior to issuing a permit;

- to establish a procedure for the Commission to assess data on the permits issued, case by case, if so requested.

Radioactive substances are not yet covered and will have to be dealt with in separate proposals at a later date.

Oil pollution of the sea

2.1.113. At its July part-session Parliament delivered a favourable opinion¹ on the proposal put to the Council by the Commission on 2 April on a Community information system for the control and reduction of pollution caused by hydrocarbons discharged at sea.⁵ It also asked for details of the leading producers of dangerous substances and of the routes by which they are shipped.

Barcelona Convention

2.1.114. In preparation for the ministerial-level meeting of the Contracting Parties to the Barcelona Convention on the Protection of the Mediterranean Sea against Pollution⁶ in September, with the help of the authorities responsible for the action plan for the Mediterranean, on 4 and 5 July the

¹ OJ C 229, 9.9.1985.

² COM(85) 373 final.

³ OJ C 40, 20.2.1976; Tenth General Report, point 281.

⁴ OJ C 112, 20.12.1973; OJ C 139, 13.6.1977; OJ C 46, 17.2.1983.

⁵ OJ C 112, 7.5.1975; Bull. EC 3-1985, point 2.1.68.

⁶ OJ L 240, 19.9.1977.

Commission held a meeting in Brussels to give representatives of the 14 Mediterranean countries¹ an opportunity to examine the situation with deballasting stations in the Mediterranean Sea, to submit proposals and to assess the technical performance and economic viability of floating deballasting stations and the openings available to promote them.

The conclusions emerging prompted the Commission to draft a recommendation and, on 23 July, to send it to the action plan authorities ready for consideration at the ministerial-level meeting. This draft echoes the concern to solve all the oil pollution problems in the Mediterranean in line with Annex 1 to the 1973/1978 Marpol Convention, which calls for special rules to ban discharges.

2.1.115. On 11 July, in another move under the Barcelona Convention,¹ the Commission asked the Council for authority to negotiate, on behalf of the Community, measures concerning bathing water, shellfish water, shellfish intended for human consumption, and mercury in marine products.² These measures are to be adopted at the next meeting of the Contracting Parties in Genoa from 9 to 15 September.

Paris Convention

2.1.116. On 10 July the Commission asked the Council³ for authority to negotiate and sign, on behalf of the Community, an amendment to include atmospheric inputs into the sea in the Paris Convention for the Prevention of Marine Pollution from Land-based Sources,⁴ to which the Community is a Contracting Party. At the International Conference for the Protection of the North Sea in Bremen in 1984,⁵ the coastal States and the Community agreed a joint initiative, under the auspices of the Paris Commission, to prevent, reduce or eliminate marine pollution via the air. Several Contracting Parties have submitted proposals to that effect. The Community too has already built up a significant body of legislation on air pollution as well as becoming a Contracting

Party to the Convention on Long-range Transboundary Air Pollution.⁶

Protection of the Rhine

2.1.117. The Commission took part in the fifth plenary assembly of the International Commission for the Protection of the Rhine against Pollution in Basle on 9 and 10 July. A recommendation on measures to combat pollution of the Rhine by mercury discharges from industries other than the chloralkali electrolysis industry was adopted and sent to the Contracting Parties to the Convention for the Protection of the Rhine against Chemical Pollution.⁷

Protection of groundwater

2.1.118. At the Commission's initiative the European Institute for Water held a workshop on the protection of groundwater against pollution by nitrates in Varese from 3 to 5 July. Representatives from the water resources management, agricultural and water supply sectors compared ideas and familiarized themselves with each other's points of view at this event, which culminated in the drafting of recommendations which the Commission departments will use when drafting measures to protect groundwater resources against this spreading form of groundwater pollution.

Air pollution

Sulphur content of gas oil

2.1.119. As part of the Community scheme to combat air pollution, on 26 July

¹ The following Mediterranean countries were represented: Algeria, Cyprus, France, Greece, Israel, Italy, Lebanon, Libya, Morocco, Spain, Syria, Tunisia, Turkey and Yugoslavia.

² COM(85) 362 final.

³ COM(85) 347 final.

⁴ OJ L 194, 25.7.1975.

⁵ Bull. EC 9-1984, point 2.1.65; Bull. EC 11-1984, point 2.1.86.

⁶ OJ L 171, 27.6.1981.

⁷ OJ L 240, 19.9.1977.

the Commission proposed¹ that the Council should revise the limit values laid down for the sulphur content in gas oil in the Council Directive of 24 November 1975.² This new proposal should bring about a 20 to 25% reduction in the total sulphur dioxide emissions attributable to these fuels, which are used mainly for heating homes and powering motor vehicles.

Nitrogen dioxide

2.1.120. On 15 July the Commission communicated to the Council its decision that there was no need to propose a long-term limit value for nitrogen dioxide to protect terrestrial and aquatic ecosystems.³ Basing itself on a group of experts' report, the Commission concluded that not enough scientific information is available to fix long-term limit values for this pollutant. Short-term limit values have already been set under the March 1985 Council Directive.⁴ This communication is the Commission's response to the request made by the Council on 28 June 1984. In it, the Commission states that it feels that a consistent and comprehensive reduction policy is the most appropriate strategy to combat air pollution and, accordingly, calls on the Member States to adopt the proposals still before the Council.⁵

Sulphur dioxide

2.1.121. As required by the Council Directive of 15 July 1980,⁶ on 24 July the Commission transmitted to the Council, Parliament and the Economic and Social Committee its first report, drawn up with the help of the national experts, on the measures taken to implement the Directive, which sets limit values for sulphur dioxide and suspended particulates.⁷

The report analyses the steps taken by the Member States to set up the network to measure the amounts of these pollutants in the air and to improve conditions whenever the limit values are exceeded. It also brings out the need for greater cooperation and coordination between the Member States

and the Commission so that the Commission can perform its monitoring and control tasks more effectively.

The Commission regards this Directive as a critical test of each Member State's commitment to the environment policy. It will decide on the follow-up in the light of the information submitted by the governments in response to the Directive.

Long-range transboundary air pollution

2.1.122. The Executive Body for the Geneva Convention on Long-range Transboundary Air Pollution,⁸ to which the Community is a Contracting Party, held its third session in Helsinki from 8 to 12 July. Among other things, a protocol was signed to reduce sulphur emissions or transfrontier sulphur flows by at least 30%, compared with 1980 emission levels, by 1993.⁹ Twenty-one countries, including seven Member States (Belgium, Denmark, France, Germany, Italy, Luxembourg and the Netherlands), have signed the protocol. The gathering also provided an opportunity to review progress with the work on the Convention and to set up a working party on oxides of nitrogen.

2.1.123. Mr Clinton Davis, Member of the Commission with special responsibility for environment policy, took part in the ministerial-level meeting on air pollution hosted by the Swedish Government in Stockholm on 5 July. Three Member States also sent representatives. Mr Clinton Davis could not prevent the adoption of a final declaration completely conflicting with the Community's position. What is more, although Germany and the Netherlands refused to

¹ OJ C 205, 14.8.1985; COM(85) 377 final.

² OJ L 307, 27.11.1975.

³ COM(85) 371 final.

⁴ OJ L 87, 27.3.1985; Bull. EC 12-1984, point 2.1.125.

⁵ OJ C 76, 22.3.1985; Bull. EC 2-1985, point 2.1.62; Bull. EC 6-1985, point 2.1.97.

⁶ OJ L 229, 30.8.1980.

⁷ COM(85) 368 final.

⁸ OJ L 171, 27.6.1981.

⁹ Bull. 12-1984, point 2.1.127; Eighteenth General Report, point 368.

sign, thus standing by the position adopted by the Council,¹ Denmark did, so putting itself at odds with the Community's general policy.

Noise

2.1.124. On 11 July the Commission amended² five Council Directives on the measurement of noise from construction plant and equipment to bring them into line with the latest scientific research and with the opinion of the Committee on Adaptation to Technical Progress. Not only the general Directive of 19 December 1978³ was amended, but also four recent specific Directives on compressors, welding generators, power generators and hand-held concrete breakers and picks, all of them adopted by the Council on 17 September 1984.⁴

Chemicals

Dangerous substances

2.1.125. In response to the specific requirements of the Council Directive of 27 June 1967,⁵ as amended for the sixth time on 18 September 1979,⁶ and to the need to maintain free movement within the Community and to comply with the agreements reached within the Organization for Economic Cooperation and Development, on 24 July the Commission proposed that the Council should lay down the principles of good laboratory practice for the potential risks which chemicals pose to human beings and the environment.⁷ These principles must be applied in order that (a) the results of the tests are of high quality and comparable and (b) the resources used for these tests are not wasted by repetition of tests made necessary by differences in laboratory practice from one Member State to another.

Dangerous preparations

2.1.126. On 29 July the Commission sent the Council a proposal for a Directive relating to the classification, packaging and labelling of dangerous preparations.⁸ The

main objective was to classify and label all the preparations according to their danger potential, irrespective of whether they were intended for use in industry or by the public at large.

Protection and rational use of the environment and natural resources

Fauna and flora

Bird conservation

2.1.127. On 25 July the Commission² brought the Council Directive of 2 April 1979⁹ up to date with the latest findings on the situation of wild birds. Scientific studies since October 1981¹⁰ (when the 1979 Directive was last amended) showed 70 species and subspecies which needed to be added to the 74 already listed in Annex 1 to the Directive. Annex 1 lists the species in danger of extinction, vulnerable to specific changes in their habitat, considered rare because of the small size of their populations or because of their restricted distribution or, finally, requiring special attention because of the specificity of their habitat.

Washington Convention

2.1.128. On 30 July the Commission also amended¹¹ Annexes A and C to the Council Directive of 3 December 1982 on the implementation in the Community of the Convention on International Trade in

¹ Bull. EC 6-1985, points 2.1.97 and 2.1.98.

² OJ L 233, 30.8.1985.

³ OJ L 33, 8.2.1979.

⁴ OJ L 300, 19.11.1984; Bull. EC 9-1984, point 2.1.70.

⁵ OJ L 196, 16.8.1967.

⁶ OJ L 259, 15.10.1979.

⁷ OJ C 219, 29.8.1985; COM (85) 380 final.

⁸ OJ C 211, 22.8.1985; COM (85) 364 final.

⁹ OJ L 103, 25.4.1979; Thirteenth General Report, point 281.

¹⁰ OJ L 319, 7.11.1981.

¹¹ OJ L 231, 29.8.1985.

Endangered Species of Wild Fauna and Flora.¹

These annexes contain lists of species in which only limited or regulated trade is allowed under the terms of the Convention. The lists annexed to the Convention were amended at the fifth meeting of the conference of the parties to the Convention in Buenos Aires from 22 April to 3 May.² The corresponding sections of the 1982 Regulation had to be replaced to bring them into line with these amendments, which had already been accepted by the Community.

Natural resources

Transfrontier shipment of hazardous waste

2.1.129. On 22 July the Commission amended the annexes to the Council Directive of 6 December 1984 on the supervision and control within the Community of the transfrontier shipment of hazardous waste.³ The amended text stipulates the content of the uniform consignment note, the corresponding general instructions and the uniform declaration for non-ferrous waste.

Consumers

Physical protection

Cosmetics

2.1.130. On 16 July the Commission amended⁴ for the sixth time the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products.⁵

The new instrument is designed to ban the use of certain hydroquinone ethers in the composition of cosmetic products; authorize the use of selenium disulphide in shampoos, subject to certain restrictions and conditions; and adapt to technical progress certain annexes to the 1976 Directives in respect of certain zirconium complexes used

in anti-perspirants and certain preservatives which release formaldehyde.

Exchanges of information

2.1.131. In connection with the Community system for the rapid exchange of information on dangers arising from the use of consumer products,⁶ on 26 July the Commission laid down detailed procedures for the transmission of the related information and adopted the necessary administrative measures to coordinate the data reaching the Commission regarding products presenting a serious and immediate risk for consumers.

Protection of economic and legal interests

Product liability

2.1.132. On 25 July the Council adopted a Directive concerning liability for defective products (→ point 1.5.1).

Consumer information, education and representation

Education

2.1.133. During the last five years the Commission has held extensive consultations and conducted pilot schemes in the field of consumer education in schools. On this basis, on 6 August it proposed to the Council that the need to incorporate consumer education in primary and secondary school curricula should be recognized and that teacher training to this effect should be promoted.⁷

¹ OJ L 384, 31.12.1982; OJ L 367, 28.12.1983.

² Bull. EC 5-1985, point 2.1.75.

³ OJ L 326, 13.12.1984; Bull. EC 12-1984, point 2.1.132.

⁴ OJ L 224, 22.8.1985.

⁵ OJ L 262, 27.9.1976.

⁶ OJ L 70, 13.3.1984; Bull. EC 3-1984, point 2.1.111.

⁷ OJ C 238, 19.9.1985; COM(85) 369 final.

The Commission believes that room should be found for consumer problems in the education of the Community's children and adolescents, not only to provide a foretaste of consumer choices and purchase decisions, but also to inculcate an awareness of their rights and responsibilities as consumers. The resolution calls on Member States to ensure the gradual introduction of consumer education into school curricula at primary and secondary level so that consumer education is systematically provided throughout the period of compulsory education.

The resolution also proposes that wide-ranging exchanges of views should be held on experiments in this area and suggests that various measures should also be taken by the Commission itself. In particular, the Commission wishes to provide financial aid for pilot teacher training schemes at national and regional level and contribute to the publication and production of teaching materials and other documents.

Price indication

2.1.134. To take account of Parliament's opinion, issued in April,¹ in July the Commission amended² the two proposals for Directives on price indication for food³ and non-food⁴ products which had been presented to the Council at the beginning of the year.

Agriculture⁵

Council

2.1.135. The Council was unable to agree cereal and rape prices when it met on 15 and 16 July (→ point 2.5.16). The Commission will therefore continue to apply the measures necessary to ensure orderly management of the markets in these products.

The Council did, however, adopt by a qualified majority a Regulation allowing the Commission to vary export refunds for

macaroni, spaghetti and similar products according to destination (→ point 2.3.14).

The Council also adopted a Regulation fixing the Community contribution to financing of the compensatory measures for Dutch farmers following the dismantling of MCAs decided on in 1984 (→ point 2.1.137).

It reached a joint position on health rules applicable to intra-Community trade in heat-treated milk (→ point 2.1.159) and on general rules on the minimum import price system for dried grapes.

Lastly, Mr Andriessen formally presented the Green Paper (→ point 1.2.1 *et seq.*) to the Council, which will hold an initial discussion on it when it meets on 16 and 17 September.

Agri-monetary measures

2.1.136. The European Monetary System central rates were adjusted with effect from 22 July (→ point 2.1.4).

The Italian lira was devalued by 6% and all currencies kept within a margin of fluctuation of 2.25% were revalued by 2%; the theoretical central rates for sterling (revalued by 7.47%) and the Greek drachma (devalued by 11.54%) were aligned on their actual market rates.

The net effect of all these measures was a devaluation of the ECU by 0.15%, resulting in a corresponding increase in the corrective factor applicable in agriculture.

The MCAs for Italy, Greece and the United Kingdom were adjusted with effect from 24 July⁶ on the basis of the exchange rates on 22 and 23 July. This followed a notice from the Commission that these changes were about to be made.⁷

¹ OJ C 122, 20.5.1985; Bull. EC 4-1985, point 2.1.74.

² OJ C 205, 14.8.1985; COM(85) 398.

³ OJ C 8, 13.1.1984.

⁴ OJ C 53, 25.2.1984.

⁵ For agricultural research, see point 2.1.229.

⁶ OJ L 194, 25.7.1985.

⁷ OJ L 192, 24.7.1985.

Advance fixing of MCAs had already been suspended.¹

2.1.137. The Council fixed at 16.5 million ECU in 1985 and 13.5 million ECU in 1986 the Community contribution² to the financing of Dutch measures to compensate farmers for income losses resulting from the dismantling of the monetary compensatory amounts with effect from 1 January 1985.³

It also formally adopted the twentieth VAT Directive, allowing the Federal Republic of Germany to grant special aid to farmers as compensation for this same dismantling.⁴

Market organizations

Wine

2.1.138. As soon as the Commission learnt that large quantities of Austrian wine containing diethylene glycol had been imported into the Community, the officials of the Wine Division and those running the food-stuffs rapid alert system (→ point 2.1.18) began to coordinate the exchange of information between the authorities of the Member States and Austria. Information on adulterated wine was circulated with all speed so that it could be withdrawn from the market and consumers informed.

It emerged from discussion of the subject that greater direct cooperation between Member States and better defined Community methods for detecting inadmissible substances in wine are required.

2.1.139. The Commission adopted a number of Regulations on intervention which are due to enter into force at the beginning of the 1985/86 marketing year. These dealt with the granting of aid for the use of concentrated must,⁵ compulsory distillation of the by-products of wine-making and of wine produced from table grapes,⁶ rules for distillation under the special price support guarantee⁷ (a separate decision will be required to trigger off the distillation operation itself), a reduction in the purchase price of enriched wine for distillation,⁸ and

the granting of re-storage aid for table wine covered by a storage contract.⁹

Milk and milk products

Market situation

2.1.140. The period January to May/June 1985 saw a reduction, compared with the same period in 1984, of 6% in the milk collection, of 13% in butter production and of 17% in production of skimmed-milk powder.

As regards the guaranteed quantities set for the first twelve-month period of imposition of the additional levy (2 April 1984 to 31 March 1985), the Commission accepted an application for adjustment in the case of Italy which was duly substantiated by statistics provided by the Italian Government. The guaranteed total quantity for direct sales to consumption was reduced by 475 000 tonnes to 1 116 000 tonnes and the guaranteed total quantity for deliveries to purchasers increased by the same amount to 8 798 000 tonnes.¹⁰

2.1.141. The Commission decided to suspend subsidies for skimmed-milk powder for use as pig and poultry feed since stocks have been reduced, there are possibilities of disposal in other sectors, prices are relatively stable and production is dropping as a result of imposition of the additional levy.

The Community has not yet been able to make use of the new GATT arrangement whereby until the end of 1986 butter at least 18 months old can be sold at prices lower than the minimum price of USD 1 000 per tonne fob. The minimum quantity that may

¹ OJ L 190, 22.7.1985.

² OJ L 188, 20.7.1985.

³ OJ L 90, 1.4.1984; Bull. EC 3-1984, point 2.1.116 *et seq.*

⁴ OJ L 192, 24.7.1985; Bull. EC 6-1985, point 2.1.55.

⁵ OJ L 212, 9.8.1985.

⁶ OJ L 211, 8.8.1985.

⁷ OJ L 225, 23.8.1985.

⁸ OJ L 229, 28.8.1985.

⁹ OJ L 203, 1.8.1985.

¹⁰ OJ L 192, 24.7.1985.

be purchased is 100 000 tonnes of butter or 50 000 tonnes of butteroil.

The market situation for fresh milk products, whole-milk powder and condensed milk is relatively stable, with no great changes in export figures.

Cheese exports are dropping, however, owing to trading difficulties with Iran, normally a large importer, and to a fall in exports of processed cheese to the United States because of the lower value of the dollar.

2.1.142. Intervention stocks (public and private) in August 1985 were as follows (August 1984 figures in brackets):

butter: 1 157 594 t (1 245 993 t); skimmed-milk powder: 445 728 t (970 143 t); cheese: 103 514 t (106 082 t).

Beef/veal

2.1.143. Beef/veal prices fell throughout July. In order to halt this trend, towards the end of the month the Commission adopted the following support measures:

- grant of aid, fixed at a standard rate in advance, for the private storage of carcasses, half-carcasses, forequarters and hind-quarters of adult male cattle; storage contracts may be applied for between 5 August and 22 November 1985, and there is the possibility of prefinancing;¹
- extension of the list of geographical areas for export refunds (some Far Eastern countries were added).²

2.1.144. At its July part-session Parliament adopted a resolution on the beef/veal sector (→ point 2.5.14).³

Hops

Market situation

2.1.145. The process of adjustment of supply to demand on both Community and world markets continued in 1984/85. The Community harvest in 1984 was lower than

in 1983 (46 000 t compared with 48 500 t), although it should be noted that more alpha acid was produced (3 160 t compared with 2 467 t). Markets everywhere remained difficult, not least because of exceptionally high stock levels (estimated world stocks on eve of 1984 harvest 101 000 t; Community stocks 21 500 t). The Community area fell to 26 250 hectares from 27 000.

To support hop-growers' incomes for 1984, the Council kept the production aid at the same level as in 1983 for the variety groups 'Aroma' and 'Others' but increased it for the 'Bitter' group.

2.1.146. At its July part-session Parliament endorsed³ the Commission's June proposal laying down, in respect of hops, the amount of aid to producers for the 1984 harvest.⁴

*Cereals*⁵

Market situation

2.1.147. Community production of common wheat in 1984 hit a new record of 70.3 million tonnes, 27% more than in 1983, the average yield being 61.7 quintals per hectare. This was the result of an exceptional conjunction of favourable factors, namely very good weather at sowing and flowering times and a good health situation during the growing period. By way of comparison, the 1985 common wheat harvest is forecast at the moment to be around 62 million tonnes.

The abundant supplies available as a result of this bumper harvest depressed prices within the Community during the 1984/85 marketing year to some 5 to 10% lower than in 1983/84, and this in turn led to a downward readjustment for substitute products, notably manioc. This meant that sales of common wheat for animal feed amounted to only some 13.7 million tonnes

¹ OJ L 205, 3.8.1985.

² OJ L 197, 27.7.1985.

³ OJ C 229, 9.9.1985.

⁴ Bull. EC 6-1985, point 2.1.125.

⁵ Bull. EC 2-1985, points 2.1.80 and 2.1.81.

compared with 13.6 million tonnes in 1983/84.

However, the combined effect of lower prices on the Community market, the high dollar and increased world market demand permitted the export of some 16.9 million tonnes (average refund 19 ECU/tonne) compared with 14.8 million tonnes in 1983/84.

The carryover stock on 1 August was some 15 million tonnes, of which 10.3 million tonnes was in intervention storage, the corresponding figures for 1 August 1984 being 7.2 and 3.3 million tonnes.

2.1.148. The Community market in durum wheat was fairly well balanced in 1983/84 owing mainly to an exceptionally low production figure of 3.9 million tonnes in 1983.

In 1984/85, on the other hand, abundant supplies following a record harvest of 6.2 million tonnes were far greater than could be disposed of in and outside the Community and the carryover stock (840 000 tonnes on 1 July 1984) stood somewhere between 1.5 and 2 million tonnes on 1 July of this year.

2.1.149. Production of barley, which dropped from 41.4 million tonnes in 1982 to 36.1 million tonnes in 1983, rose again in 1984 to 44.3 million tonnes, owing not only to very favourable weather but to the replacement in northern Europe of two-row varieties by six-row varieties, which give much higher yields.

Barley exports in 1984/85 rose to some 8 million tonnes compared with approximately 4.5 million tonnes in 1983/84.

The carryover stock on 1 August was some 3 million tonnes compared with 1.5 million tonnes on 1 August 1984.

2.1.150. Although the market in rye had been tending towards balance for a number of years, with production dropping in line with decreasing demand, a slight increase in areas sown in 1984 together with a very marked increase in yields (43.18 quintals per hectare compared with 35.3 in 1983)

occasioned an excess supply that, because of the stability of outlets, was offered for intervention. The carryover stock therefore rose from 500 000 tonnes on 1 August 1984 to 1.1 million tonnes on 1 August of this year.

2.1.151. At the end of 1984 the Commission proposed that the Council alter the arrangements for starch and starch products.¹

Following discussions held in the interval, its initial proposals were modified on 13 August² to bring them more into line with the Member States' requirements. The basic principle, however, is unchanged, namely to restrict the refund to non-protected, i.e. industrial uses, which are exposed to competition from outside the Community.

The changes are the introduction of a transitional period, the establishment of an initial list of products qualifying for the production refund, the fixing of a potato starch premium for the season instead of using an adjusted coefficient and of a minimum price for potatoes to be paid by the starch producer to the grower, and the removal of the terminal date for the scheme.

Eggs and poultrymeat

Market situation

2.1.152. In 1985 the traditional post-Easter fall in Community egg prices occurred, on this occasion accentuated by an increase in production in the first half of the year and a slight simultaneous drop in exports from the Community.

Since poultry feed prices dropped, however, the position of producers worsened less than in 1984, and given that a slight drop in Community production can be counted on during the coming months the trend to stabilization of the market should resume

¹ Bull. EC 11-1984, points 2.1.96.

² COM(85) 344 final.

with the autumn seasonal increase in demand.

2.1.153. The market for the main types of poultry is well balanced in 1985. A slight increase in demand, in particular for fresh whole birds and cuts, is eliciting a cautious increase in production. However, the unfavourable outlook for exports remains worrying after a 10% drop in chicken exports for the first half of 1985 compared with the same period of 1984.

2.1.154. On 12 July the Commission adopted detailed rules¹ under which, in accordance with the marketing standards for eggs as amended by the Council in June 1984,² type of farming and origin must be shown on small packs. These rules specify the wording to be used and contain provisions designed to ensure that the information is correct and that its accuracy can be easily checked. The prime purpose of the rules is to improve consumer information and so enable purchases to be made on the basis of farming type and origin.

Sugar

2.1.155. On 18 July the Commission sent the Council a proposal for sugar sector arrangements for the five marketing years following expiry of the present arrangements on 30 June 1986.³

The present production quota system and quota volumes will be retained and, in addition, in order to permit effective implementation of the principle that producers should meet market support costs (storage, disposal of surpluses), it is proposed that the maximum basic levy (A sugar) be increased from 2% to 2.5% of the intervention price and the maximum levy that the Council may impose on B sugar be increased from 37.5% to 47% of that price.

Moreover, again with the aim of better control of Community sugar production, it is proposed that henceforward the 'mixed price' arrangement (derogation from the rule of different delivery contracts for volumes under different quotas) should be

authorized by the Council itself, on a proposal from the Commission, and for one year at a time only.

Lastly, the Commission is proposing, in the expectation of an enlargement of outlets for sugar in the Community and hence of a drop in the quantities that have to be exported, that producers themselves should be wholly or partly responsible for the cost of production refunds on sugar used by the chemical industry.

The Commission will therefore shortly be in a position to propose that the Council replace the present refund arrangements by a more generous scheme under which sugar can be sold to the chemical industry on more favourable terms.

Processed fruit and vegetables

Market situation

2.1.156. Production of processed tomato products has risen to such an extent over the last three marketing years that the guarantee threshold was greatly exceeded in all cases. This situation led the Commission to reduce the minimum price to the primary producer by 3% in ECU. Processing aid has been reduced by as much as 30% for tomato concentrate and 40% for tomato juice compared with last year.⁴

In view of the increase in production the Community also adopted temporary measures for 1985/86, 1986/87 and 1987/88 restricting processing aid to specific quantities.⁵

2.1.157. The average of the quantities of currants used in 1982/83, 1983/84 and 1984/85 (69 000 t) was 6% more than the guarantee threshold (65 000 t). However, the minimum price to currant producers for 1985/86 was reduced by only 3% in ECU in

¹ OJ L 181, 13.7.1985.

² OJ L 172, 30.6.1984; Bull. EC 7/8-1984, point 2.1.133.

³ OJ C 219, 29.8.1985; COM(85) 433 final.

⁴ OJ L 205, 3.8.1985.

⁵ OJ L 137, 27.5.1985.

accordance with the Council's May Decision.¹ The minimum price to sultana producers is the same as last year.

The Community also adopted rules relating to the system of minimum import prices for dried grapes from non-member countries.²

Processing aid for dried grapes has been reduced by over 10% compared with 1984/85.³

2.1.158. In the case of the other products eligible for aid, the market situation has caused the Commission to exercise caution as regards the price to primary producers. The prices expressed in ECU have not been increased, and have even been reduced in the case of peaches and pears. Only the minimum price to pineapple producers was increased by 5.6% in ECU compared with 1984/85 in view of the special production conditions for pineapple in the Community.

Processing aid for these products, with the exception of cherries and pears in syrup, was reduced by around 12% in ECU compared with 1984/85.⁴

Processing aid for pears in syrup was reduced by 7.4% in view of the assurances given by certain non-member countries regarding average prices for imports to the Community.⁵

Lastly, processing aid for cherries in syrup was raised by 14% in ECU compared with last year, mainly because of the increase in imports from non-Community countries at relatively low prices.⁶

Agricultural legislation

Health problems

2.1.159. After 14 years of work the Council, on 5 August, adopted a Directive on health and animal-health problems affecting intra-Community trade in heat-treated milk.⁷

This Directive, whose scope is considerable, opens the way for Community harmonization in the milk and milk products sector.

It covers trade in pasteurized, UHT and sterilized milk, laying down rules on dairy holdings, treatment establishments and transport. It also lays down requirements for the admission of raw milk to treatment establishments and for the heat-treatment processes themselves.

The Directive regulates intra-Community trade and will help eliminate the existing barriers to trade that arise from disparities in health legislation.

2.1.160. On 3 July the Economic and Social Committee gave its opinion⁸ on the Commission proposals concerning health inspection problems in intra-Community trade in fresh meat and on the import of cattle, pigs and fresh meat from non-Community countries (→ point 2.5.39).⁹

Competition

2.1.161. Under the terms of Articles 92 and 93 of the Treaty the Commission decided to make no comment on the introduction of proposed schemes notified by:

Germany

North Rhine-Westphalia: promotion of the use of draught horses in forests;

Hamburg: variation of an existing scheme for demonstration projects to encourage the use of new techniques and technologies in horticulture;

Schleswig-Holstein: green belt encouragement measures;

¹ OJ L 137, 27.5.1985.

² OJ L 197, 27.7.1985; OJ L 209, 6.8.1985.

³ OJ L 199, 31.7.1985.

⁴ OJ L 177, 9.7.1985; OJ L 178, 10.7.1985; OJ L 196, 26.7.1985.

⁵ OJ L 180, 12.7.1985.

⁶ OJ L 144, 1.6.1985.

⁷ OJ L 226, 24.8.1985.

⁸ OJ C 218, 29.8.1985.

⁹ OJ C 68, 15.3.1985, Bull. EC 2-1985, point 2.1.92.

Denmark

Amendment of the 1984 budget and 1985 draft budget for the Horticultural Product Occupational Fund;

France

Aids for a campaign to promote the consumption of beef;

Italy

Bill No 869 on measures to promote the sale of rectified concentrated must produced in Sicily (investment aid);

Bill No 581/A on roads and rural electrification in Sicily (aid to improve the agricultural infrastructure);

Ministerial Decree of 8 November 1984 on the granting of aid for the slaughtering of dairy cows and their replacement by beef cows under Act No 94/84 in the framework of the measures authorized at Community level to limit milk production;

Act No 23 of 28 August 1984 of the region of Molise laying down rules for the recognition of agricultural producer associations and unions thereof (launching aid, aid for the development of information programmes, advertising, etc.);

Apulian regional measures to promote bee-keeping (aid for the purchase of hives and selected bees and for disease eradication work);

Marche regional Agricultural Development Services Act (aids for advisory services);

Three instances of application of Act No 700 of 19 December 1983 on the reorganization of the sugar sector.

Luxembourg

Subsidizing of collective replanting of vineyards after land consolidation;

United Kingdom

Aid under the Inner Urban Areas Act for investments relating to the storage and bottling of imported wine;

Aid for marketing through cooperatives by the horticultural sector on the island of Jersey.

2.1.162. The Commission decided to initiate the Article 93(2) procedure in respect of the following aid:

Italy

Act refinancing for 1985 Regional Act No 21 of 2 June 1980 on measures with regard to agriculture, involving in particular one-year loans for the purchase of poultry for breeding, the Italian authorities not having yet replied to the Commission's request that this Act be notified.

2.1.163. The Commission decided to terminate the Article 93(2) procedure in respect of the following aids:

Italy

Molise: measures to improve and develop animal husbandry which were the subject of a bill amending Regional Act No 27 of 4 September 1979, the Italian authorities having complied with the requests of the Commission, which stated that it may still reach a final decision finding against an aid for sheep farming;

Valle d'Aosta: regional act containing agricultural measures, the Italian authorities having complied with the Commission's requests;

France

1981 Agricultural Conference measures: premiums for restructuring table wine vineyards granted by the Ministry of Agriculture and the National Table Wine Office; the clarification provided by the French autho-

rities shows that the measures are in accordance with Community law;

aid for arid mountain areas, the French authorities having stated that what is involved is a range of *ad hoc* aids (totalling FF 44 million) for adding value to specific products of southern French mountain areas;

aid granted by the NTWO to groups of table wine producers for the establishment and launching of such groups.

2.1.164. The Commission reached a final decision under Article 93(2) against a Sicilian aid under Act No 7 of 13 March 1982 on measures for the withdrawal of oranges from the market for the 1980/81 marketing year, consisting of the granting of subsidies to two producer associations to finance the withdrawal of oranges.

2.1.165. On 12 July Parliament adopted a resolution on policy in respect of the welfare of farm animals (→ point 2.5.14).¹

European Agricultural Guidance and Guarantee Fund

Guidance Section

2.1.166. Under Council Regulation (EEC) No 355/77 on improvement of the conditions under which agricultural products are processed and marketed,² the Commission on 28 June adopted a batch of decisions granting Guidance Section aid for 243 projects, the total sum involved being 93.8 million ECU.

The maximum Guidance Section contribution to projects in southern Italy, western Ireland, all parts of Greece except Greater Athens and the French overseas departments is 50% of the total cost. The breakdown by Member State of the first instalment for 1985 is set out below.

¹ OJ C 229, 9.9.1985.

² OJ L 51, 23.2.1977.

Table 8 — *Processing and marketing of agricultural products*

	Number of projects	Aid granted	
		in national currency	in ECU ¹
Belgium	11	BFR 88 962 885	1 975 541
Denmark	15	DKR 20 296 416	2 516 017
France	52	FF 100 425 942	14 718 049
Germany	45	DM 18 900 390	8 448 499
Greece	14	DRA 1 535 209 629	15 603 310
Ireland	17	IRL 7 079 356	9 904 770
Italy	37	LIT 42 144 206 949	29 559 324
Luxembourg	1	LFR 5 413 090	120 205
Netherlands	11	HFL 5 158 206	2 040 655
United Kingdom	40	UKL 5 180 784	8 888 174
Total	243	—	93 774 544

¹ May 1985 conversion rates.

2.1.167. Under the Council Regulation of 18 February 1980 on collective projects for the restructuring of vineyards,¹ the Commission in April adopted a batch of decisions granting aid for 1985. Some 5.9 million ECU² will be given for 17 projects.

2.1.168. Under the Council Regulation of 30 June 1981 on a common measure to improve public amenities in certain less-favoured agricultural areas of the Federal Republic of Germany,³ the Commission in April adopted a batch of decisions granting Guidance Section aid for 1985. Aid of 4.9 million ECU⁴ was approved, to be shared between 23 projects.

2.1.169. On 4 February the Commission adopted a Regulation on applications for aid from the EAGGF Guidance Section for projects concerning integrated development in the less-favoured areas of Belgium.⁵

2.1.170. Under the Council Regulation of 30 June 1981 on an integrated development programme for the less-favoured areas of Belgium,³ the Commission in April adopted a decision granting Guidance Section aid of 45 672 ECU for 1985.⁴

2.1.171. Under the Council Regulation of 19 October 1983 introducing a common measure for the acceleration of collective irrigation operations in Greece,⁶ the Commission in April adopted a decision to grant Guidance Section aid of 2 851 457 ECU⁴ for 1985.

2.1.172. In February the Commission adopted a Regulation amending Regulation (EEC) No 2051/75 in respect of reimbursement of aids granted by Member States for improvement of the production and marketing of Community citrus fruit.⁷

2.1.173. In July the Commission adopted a Regulation on applications for aid from the EAGGF Guidance Section for projects to improve the conditions under which agricultural and fishery products are processed and marketed.⁸ Certain changes in the Regulation of 13 January 1978⁹ were required following the changes made in

Regulation (EEC) No 355/77,¹⁰ and others were dictated by experience of the first few years of application of the Regulation.

2.1.174. In March the Commission adopted a change in the criteria used for selection of projects to be financed from the EAGGF Guidance Section under Regulation (EEC) No 355/77.¹⁰ Very rigorous criteria were called for in the wine and milk sectors in view of their surplus production difficulties.

Fisheries

Resources

Internal aspects

2.1.175. On 8 July the Council adopted a Regulation fixing a minimum mesh size of 16mm for nets used for fishing for capelin in that part of the zone of the Convention on Future Multilateral Cooperation in the North-East Atlantic Fisheries that extends beyond the maritime waters falling within the fisheries jurisdiction of the contracting parties to the Convention.¹¹ This implements a recommendation from the North-East Atlantic Fisheries Commission that is binding on the Community as a party to the Convention.

2.1.176. On 2 August the Council adopted a Regulation laying down certain technical measures for the conservation of fish stocks in the Antarctic.¹² This implements recommendations on the prohibition of fishing

¹ OJ L 57, 29.2.1980.

² March 1985 conversion rates.

³ OJ L 197, 20.7.1981.

⁴ OJ C 239, 20.9.1985.

⁵ OJ L 39, 11.2.1985.

⁶ OJ L 293, 25.10.1983.

⁷ OJ L 47, 15.2.1985.

⁸ OJ L 243, 11.9.1985.

⁹ OJ L 35, 4.2.1978.

¹⁰ OJ L 51, 23.2.1977.

¹¹ OJ L 179, 11.7.1985.

¹² OJ L 210, 7.8.1985.

and on minimum mesh sizes adopted by the Commission for the Conservation of Antarctic Marine Living Resources that are binding on the Community as a party to the Convention.

2.1.177. Following a meeting held from 25 to 28 June, the Scientific and Technical Fisheries Committee drew up a report giving for each species by stock and region the latest scientific opinion available for the determination of optimum fishing effort in the Community zone.¹

Community measures

Prohibition measures

2.1.178. On the basis of information supplied by the national authorities on the exhaustion of certain quotas the Commission prohibited:

- Dutch vessels from fishing for anglerfish in ICES division Vb (EEC zone) and subareas VI and VII with effect from 25 July,² and for haddock in divisions IIa, b, c and d (EEC zone) with effect from 10 August³ and in division IIa (EEC zone) and subarea IV with effect from 17 August;⁴ and
- Belgian vessels from fishing for plaice in ICES divisions VIIIf and VIIg with effect from 26 July,⁵ and for sole in division VIIe with effect from 1 August.⁶

National measures

Protection of local stocks

2.1.179. Under Article 19 of Regulation (EEC) No 171/83 of 25 July 1983⁷ the Commission on 1 August approved two draft orders under the Inshore Fishing (Scotland) Act 1984 by the Secretary of State for Scotland, applying to Scottish coastal waters up to half a mile from the coast and up to six miles from the baselines respectively.

Measures stricter than Community rules

2.1.180. On 20 August the Commission took note, stating that it might at any time

review its compatibility with Community law and with the common fisheries policy, of an Irish order prohibiting from 7 May 1985 the fishing or retaining on board of mackerel in ICES subareas VI and VII. The Commission found this measure to be compatible with Article 5(2) of Regulation (EEC) No 170/83 of 25 January 1983.⁷

Measures to give effect to Community rules

2.1.181. The Commission took note of the following national measures, stating that it might at any time review their compatibility with Community law and with the common fisheries policy:

- on 19 July a German measure in the form of a communication laying down administrative instructions designed to facilitate the application of Regulation (EEC) No 2807/83 of 22 September 1983⁸ by German skippers from 1 April 1985 onwards;
- on 20 August a French framework law due to enter into force at the beginning of December 1985 and designed to ensure compliance with the Community fisheries regulations.

External aspects

Bilateral relations

Greenland

2.1.182. On 2 August the Council adopted a Regulation⁹ amending that of 26 March last allocating Community catch quotas in Greenland waters for 1985.¹⁰

¹ Ninth Report of the Scientific and Technical Fisheries Committee.

² OJ L 193, 25.7.1985.

³ OJ L 213, 10.8.1985.

⁴ OJ L 219, 17.8.1985.

⁵ OJ L 196, 26.7.1985.

⁶ OJ L 203, 1.8.1985.

⁷ OJ L 24, 27.1.1983.

⁸ OJ L 276, 10.10.1983.

⁹ OJ L 210, 7.8.1985; COM(85) 449 final.

¹⁰ OJ L 89, 29.3.1985; Bull. EC 3-1985, point 2.1.124.

Multilateral relations

2.1.183. The Commission represented the Community at the fifth session of the Western Central Atlantic Fishery Commission (WECAFC), held at Castries, St Lucia, from 15 to 19 July, and at the eight session of the Indian Ocean Fishery Commission, held in Bangkok from 2 to 6 July.

2.1.184. The Commission represented the Community as an observer at the 37th annual meeting of the International Whaling Commission, held in Bournemouth from 15 to 19 July.

Markets and structures

Market organization

2.1.185. On 24 July the Commission amended¹ its Regulation of 25 July 1974 laying down detailed rules of application for the fixing of reference prices and free-at-frontier prices for carp² by dividing the reference period running from 1 December to 31 July of the following year into two parts, 1 December to 31 December and 1 January to 31 July.

On the same day the Commission adopted a Regulation fixing reference prices for carp for three marketing periods in 1985/86 for the first time.¹

2.1.186. On 26 July the Commission sent the Council a proposal for a Regulation laying down general rules on the granting of compensatory allowances in respect of Atlantic and Mediterranean sardines.³

Structures

2.1.187. On 8 August the Commission, under the Regulation of 4 October 1983 on measures to encourage exploratory fishing and cooperation through joint ventures in the fishing sector,⁴ approved a Decision on a German exploratory fishing programme in the waters off Svalbard.

2.1.188. In the matter of State aids the Commission decided to initiate the scrutiny procedure laid down in Article 93(2) of the Treaty in respect of an aid granted by the Land of Lower Saxony in Germany to a fishery sector firm, involving the purchase of a factory belonging to the firm for DM 30 million and the leasing of it back to the firm for DM 500 000 per year. This is an uneconomic use of State funds, the firm having received a financial benefit without performing any real service on its own part.

2.1.189. The Commission decided to terminate the Article 93(2) procedure in respect of that part of the Kingdom's seafood industry development programme in regard to which it had decided to continue the procedure in December 1984.⁵ The problem of discrimination against the products of other Member States that arose from part-financing by means of a parafiscal charge has disappeared since the measures in question are now being financed exclusively from other sources and the content of certain of them has been modified to ensure that all who pay the charge benefit.

2.1.190. The Commission decided to raise no objection to the following:

- the 1985 aids planned by the Danish Trout Fund, the budget for which is DKR 2 886 000;
- the implementation in Italy of a scheme of assistance for the permanent withdrawal of fishing vessels; the scheme extends to other types of vessel the financial aid provided for in the Directive of 4 October 1983 concerning certain measures to adjust capacity in the fisheries sector,⁴ and it is to run for three years (1985-87).

¹ OJ L 193, 25.7.1985.

² OJ L 207, 29.7.1974.

³ COM(85) 435 final.

⁴ OJ L 290, 22.10.1983.

⁵ Bull. EC 12-1984, point 2.1.196.

Transport¹

Infrastructure

2.1.191. On 16 July the Commission decided to grant Community financial support for 13 transport infrastructure projects, using funds available in the 1984 Commu-

nity budget. The Council had approved these projects in principle in December 1984.² The commitments total 75 million ECU, of which 25 million ECU is allocated to Greek road and rail development projects. All the projects are designed to eliminate transport bottlenecks or to improve major transport links between Member States.

Table 9 — *List of projects financed*

	Type of project	Amount of financial support (million ECU)
• Italy	New alignment of the Chiasso-Milan railway line	8.5
• France	Mont Blanc access (new road Le Fayet—Les Houches)	3.8
• Greece	Varimpompi-Skhimatario section of the Evzoni-Athens-Kalamata trunk road	12.5
	Larisa-Plati railway	12.5
• Ireland	Shankill-Bray bypass	2.4
• Germany (FR)	Marshalling yard at Nürnberg	4.2
• United Kingdom	London orbital motorway (M25):	
	— Leatherhead-Reigate section	3.5
	— M4-M40 section	6.2
	Sidcup bypass (A20)	9.0
	Rail access to the port of Harwich (Colchester-Harwich line)	2.5
• Belgium-France	Improvement of the Lys waterway	8.1
• Netherlands	Railway bridge at Dordrecht	1.7

Inland transport

Frontier checks and formalities

2.1.192. On 19 August the Commission sent the Council a proposal for a Directive³ to supplement the Directive of 1 December 1983 on the facilitation of physical inspections and administrative formalities in respect of the carriage of goods between Member States.⁴

The proposal, which is aimed at further facilitating frontier crossings for all modes of transport, is part of the programme set out in the White Paper on the completion of the internal market presented by the Commission in June.⁵

Its main provisions are: to have inspections and formalities carried out preferably at the

place of departure or destination of the goods; to extend the business hours of the checkpoints located within the Member States; to delegate to the customs services some of the inspections usually carried out by other services; to introduce a procedure for rapidly informing the Commission and the authorities of the Member States of any problems encountered at frontiers; to develop a computerized information system relating to frontier posts to be made available to transport operators and other agents; to set up a Facilitation Committee.

¹ For transport research, see point 2.1.219.

² OJ L 333, 21.12.1984; Bull. EC 12-1984, point 2.1.199.

³ OJ C 237, 18.9.1985; COM(85) 436 final.

⁴ OJ L 359, 22.12.1983; Bull. EC 10-1983, point 2.1.68.

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

Railways

Report on the annual accounts

2.1.193. On 22 July the Commission transmitted to the Council its sixth report (covering 1982) on the transposed annual accounts of railway undertakings.¹ This report, which was prepared in accordance with the Council Regulation of 12 December 1977,² presents the annual accounts of the undertakings in question in a uniform manner to permit a comparative analysis of expenditure and outturn.

Road transport

Taxation

2.1.194. On 8 July the Council adopted a new Directive on the duty-free admission of fuel contained in the fuel tanks of coaches (→ point 2.1.77).

Social conditions

2.1.195. On 13 August the Commission sent to the Council a second version³ of its proposal⁴ to amend the Regulation of 25 March 1969 on the harmonization of certain social legislation relating to road transport⁵ and that of 20 July 1970 on the introduction of recording equipment in road transport.⁶ The Commission accepts some of the amendments proposed by Parliament⁷ but otherwise considers it essential to maintain its original proposal (aimed at greater flexibility in the present system and better social conditions for drivers) and has not adopted the changes suggested by the Council in the common position reached in June.⁸

Inland waterways

2.1.196. On 17 July the Commission delivered three opinions addressed to the Netherlands, the Federal Republic of Germany and Luxembourg respectively.⁹ All three call for certain details to be added but

approve the way in which the draft regulations of the Member States implement the Council Directive of 4 October 1982 laying down technical requirements for inland waterway vessels.¹⁰

Air transport

Customs formalities and inspections

2.1.197. In an annex to the proposal for a Directive on the facilitation of inspections and formalities in inland transport (→ point 2.1.192), the Commission sent to the Council a report¹¹ in which it examines facilitation in respect of intra-Community air freight. The report sets out the results of visits made by Commission staff to a number of European airports. It states the extent to which Community action to strengthen the internal market (including the proposal for a Directive) will help to facilitate air freight. The Commission considers that a special system should be set up for customs formalities and airport controls so that the time saved as a result of air transport is not offset by unnecessary waiting.

Safety

2.1.198. On 11 July Parliament adopted two resolutions on safety in air transport (→ point 2.5.14).¹²

International cooperation

2.1.199. On 18 July, after obtaining the agreement of the Council on 24 June,¹³ the

¹ COM(85) 381 final.

² OJ L 334, 24.12.1977.

³ OJ C 223, 3.9.1985; COM(85) 458 final.

⁴ OJ C 100, 12.4.1984; Bull. EC 3-1984, point 2.1.168.

⁵ OJ L 77, 29.3.1969; OJ L 73, 17.3.1979.

⁶ OJ L 164, 27.7.1970; OJ L 181, 4.7.1973; OJ L 334, 24.12.1977.

⁷ OJ C 122, 20.5.1985; Bull. EC 4-1985, point 2.1.98.

⁸ Bull. EC 6-1985, point 2.1.153.

⁹ OJ L 224, 22.8.1985.

¹⁰ OJ L 301, 28.10.1982; Bull. EC 10-1982, point 2.1.114.

¹¹ COM(85) 436 final/Annex.

¹² OJ C 229, 9.9.1985.

¹³ Bull. EC 6-1985, point 2.1.156.

Commission transmitted to the Council a communication proposing a framework for cooperation with Austria on transport.¹ Cooperation between the Community and Austria to develop infrastructure for combined transport and closer cooperation between railway undertakings, as well as other measures to promote combined transport, are envisaged.

Energy

Specific problems

Solid fuels²

New scheme for coking coal and coke for the iron and steel industry

2.1.200. On 31 July the Commission asked the Council for its assent³ to amend the Decision of 25 July 1973 on coking coal and coke for the iron and steel industry in the Community.⁴ In March 1984 the term of this Decision was extended to cover the period 1984-86,⁵ but maximum tonnages were fixed only for 1984 and 1985; provision was made for the 1986 tonnage to be revised downwards before the end of 1985.

The Commission therefore requests that Community funding be made available for a maximum of 8 million tonnes (not 10 million as before) and should amount to a maximum of 36 million ECU in 1986.

State aid to the coal industry

2.1.201. After consulting the Council,⁶ as required by the Commission Decision of 25 February 1976,⁷ the Commission informed the Federal Republic of Germany, France, the United Kingdom and Belgium on 24 July that the aid paid to their respective coal industries in 1984 had been authorized.⁸

Aid paid by the United Kingdom during 1984/85 and further aid for 1983/84 was also approved.

Oil and gas

2.1.202. On 13 August the Commission sent the Council an amendment⁹ to its proposal for a Regulation on a programme of support for technological development in the hydrocarbons sector¹⁰ which is designed to replace the basic Regulation of 9 November 1973.¹¹ In the new proposal the Commission takes account of Parliament's amendments¹² aimed at giving preference to small-scale projects or projects mounted by small firms, subject to the condition that not all of the latter are established in the same Member State.

2.1.203. On 24 July, pursuant to the provisions of the Regulation of 9 November 1973,¹¹ the Commission sent the Council a proposal for a Decision on the granting of financial support for Community projects in the hydrocarbons sector.¹³ Financial support is requested for 62 of the 95 projects submitted to the Commission in reply to its invitation.¹⁴

The Community support proposed amounts to 42 545 370 ECU for 1985, and the total cost of the investment necessary for completing the 62 projects is 125 832 534 ECU.

2.1.204. On 26 July the Commission sent the Council a proposal¹⁵ to amend the Regulation of 28 August 1979 introducing registration for crude oil imports in the Community¹⁶ and that of 20 November

¹ COM(85) 434 final.

² For social questions regarding the coal industry, see point 2.1.85.

³ OJ C 220, 30.8.1985; COM(85) 419 final.

⁴ OJ L 259, 15.9.1973; OJ L 106, 21.4.1982; Bull. EC 4-1982, point 2.1.94.

⁵ OJ L 80, 24.3.1984; Bull. EC 3-1984, point 2.1.179.

⁶ Bull. EC 3-1985, point 2.1.136.

⁷ OJ L 63, 11.3.1976.

⁸ OJ L 230, 29.8.1985.

⁹ OJ C 244, 26.9.1985; COM(85) 453 final.

¹⁰ OJ C 325, 6.12.1984; Bull. EC 11-1984, point 2.1.142.

¹¹ OJ L 312, 13.11.1973.

¹² OJ C 175, 16.7.1985; Bull. EC 6-1985, point 2.1.161.

¹³ COM(85) 385 final.

¹⁴ OJ C 208, 8.8.1984.

¹⁵ COM(85) 389 final.

¹⁶ OJ L 220, 30.8.1979.

1979 laying down the rules for carrying out the registration.¹ The purpose of the amendment is to extend the validity of the Regulations for three years by postponing their date of expiry from 31 December 1985 to 31 December 1988 in order to retain this instrument of permanent market analysis and price surveillance in the event of tensions in the world market.

*

2.1.205. A Commission delegation headed by Mr Mosar, the Member with special responsibility for energy, attended a meeting of the Governing Board of the International Energy Agency (IEA) held in Paris on 9 July to discuss 'Lessons of the past, tasks for the future'. Ministers reviewed the main energy problems and agreed on a final communiqué covering all the questions that were discussed. Following discussions on developments in the international energy market and their implications for future energy policy, Ministers agreed to pursue their efforts to restructure.

As instructed by the Council in March,² the Commission recalled the importance it attaches to free trade in oil products³ and its particular concern about what might happen in the near future as a result of an increase in exports of oil products from new refineries built in certain Middle East and North African countries.² On 20 June the Community countries' Energy Ministers agreed to maintain freedom of access to Community markets on condition that the other industrialized countries adopted a similar policy.³ Discussions on this point proved difficult because of Japanese reticence and the evasive position of the United States.

At the end of the IEA ministerial meeting Mr Mosar made the following statement:

'Following negotiations between the Commission and the Community Member States, Ministers attending the Paris meeting were able to agree unanimously on this subject and, indeed, on a number of other matters that were raised.

The Commission cannot but welcome the spirit of solidarity the industrialized countries are continuing to display.

It hopes that the oil-producing countries that are not members of the IEA will maintain their responsible attitude and that the refined oil products that they will shortly be exporting will be distributed equitably among all the consumer markets.'

Nuclear energy

2.1.206. On 8 August the Commission transmitted to the Council,⁴ after receiving a favourable opinion from the Economic and Social Committee,⁵ the final version of the third illustrative nuclear programme for the Community⁶ together with the text of the opinion.

Energy savings

2.1.207. On 15 July the Commission decided to reaffirm its support for the Energy Bus concept to save energy in small firms by granting financial support amounting to 1 325 000 ECU for the period 1985-87. The programme, which was introduced in the Community in 1980⁷ after its earlier success in Canada from 1977 onwards, is geared towards redressing the difficulties the small firms have in gaining access to information and advice on energy saving in their own plants.

Alternative sources

2.1.208. On 25 July the Commission sent the Council, for information, the text of two Decisions the Commission had adopted granting financial support to demonstration projects. The first, taken pursuant to Council Regulation (EEC) No 1971/83 of 11 July 1983,⁸ grants a total of 20 418 125 ECU (in respect of investment amounting to 94 953 972 ECU) to seven projects involving

¹ OJ L 297, 24.11.1979.

² Bull. EC 3-1985, point 2.1.137.

³ Bull. EC 6-1985, point 2.1.159.

⁴ COM(85) 401 final.

⁵ Bull. EC 5-1985, point 2.4.29.

⁶ Bull. EC 11-1984, point 2.1.144.

⁷ OJ L 239, 12.9.1980; Bull. EC 7/8-1980, point 2.1.123.

⁸ OJ L 195, 19.7.1983; Bull. EC 7/8-1983, point 2.1.191.

the liquefaction and gasification of solid fuels. The second, adopted under Council Regulation (EEC) No 1972/83 of 11 July 1983,¹ grants financial support totalling 16 242 638 ECU (in respect of investment amounting to 70 484 935 ECU) to 10 demonstration projects involving the substitution of hydrocarbons by solid fuels.

2.1.209. On 3 July the Economic and Social Committee issued an opinion (→ point 2.5.36)² on two proposals for Regulations³ granting financial support under five-year programmes beginning on 1 January 1986 and aimed respectively at carrying out demonstration projects relating to the exploitation of alternative energy sources, energy saving and the substitution of hydrocarbons, and to pilot industrial projects and demonstration projects relating to the liquefaction and gasification of solid fuels.

Research and development

Community R & D policy

Eureka:

Conference on European technology

2.1.210. Representatives of 17 European countries (the 12 members of the enlarged Community, Austria, Finland, Norway, Sweden and Switzerland) and of the Commission (Mr Delors, President, and Mr Narjes, Vice-President with special responsibility for research and science) met in Paris on 17 July at the invitation of the President of France to hold a conference on European technology. They acknowledged the importance of early action by Europe to pool its energies and expertise in the high-technology field.

They thanked the French Government for launching the Eureka project and for convening and organizing the conference. They expressed their firm support for the Eureka programme, which will involve selected civ-

ilian projects in various sectors of high technology.

The Ministers and the Commission representatives decided to meet again at the invitation of the Federal Republic of Germany before 15 November to take fresh initiatives.

In preparation for that meeting, the existing team will continue its work in close collaboration with the host country, the Presidency of the Council and the Commission. A working party composed of senior representatives from each of the participating countries will assist with the preparation of the next ministerial meeting.

2.1.211. Addressing the conference, Mr Delors stressed the significance of the growing awareness in Europe at the present time in the technology field, an awareness which had been greatly enhanced, particularly among European firms, by the launching of the project. Concluding his address, he summarized the advantages the Community could offer the Eureka programme:

- *A large market* (unification of public procurement, adoption of common standards, protection of industrial property). The Community intends to create a market of 380 million people in line with the eight-year programme adopted by the Milan European Council.
- *A fund of experience*. The Community has acquired wide experience in the processes of cooperation from the pre-competitive stage onwards. It is now fully integrated into both the scientific and the production environments. It knows what needs to be done to maximize the Community's collective potential and to secure the success of the research effort.
- *Structures*. Its structures, though not exclusive, have worked successfully in various forms, such as joint projects (JET, for example), and other forms can be con-

¹ OJ L 195, 19.7.1983; Bull. EC 7/8-1983, point 2.1.192.

² OJ C 218, 29.8.1985.

³ OJ C 109, 3.5.1985; Bull. EC 2-1985, point 2.1.121.

sidered (for instance, the Eurotype Warrant proposed by the United Kingdom).

• *Financing.* The methods of financing must be adapted to the various stages leading from research to development, innovation and marketing. At the pre-competitive stage, subsidies are essential; the further one moves from there towards the marketing stage, other forms such as loans and risk capital are required. It would be useful under these circumstances to examine the possibility of providing a guarantee for certain forms of financing or, alternatively, of making greater use of incentives such as concessionary interest rates. Lastly, in the European Investment Bank and the New Community Instrument, the Community has suitable means of financing a wide range of projects.

2.1.212. The Council, at its meeting of 22 and 23 July (→ point 2.6.16), responding to the conclusions of the Milan European Council¹ and taking into account the progress made by the *ad hoc* Eureka Committee, stressed the need to ensure coordination and consistency between the work of the Committee on the one hand and the work to be done at Community level on the other towards strengthening technological cooperation in Europe. The Commission was invited to lay before the Council proposals for measures to be taken in a Community context to ensure the strengthening of European technological cooperation in a coordinated manner consistent with the Eureka project.

2.1.213. Parliament, in a resolution adopted on 10 July, reaffirmed the imperative need to develop a technological Europe within a Community framework.²

Coordination of national policies

2.1.214. The Scientific and Technical Research Committee (Crest) met in Brussels on 11 and 12 July to carry out its two-yearly comparison of national and Community R & D policies (Copol 85). A trend was observed in most Member States towards

multiannual planning of research budgets, which is leading them to define more precisely the medium-term objectives of their science and technology policies. No basic differences were noted between the options taken by the various Member States, namely microelectronics, data processing, biotechnology, space and new materials, a fact which points up the marked intensification of the technological effort in recent years; the majority of the Member States wish to develop this effort in the context of international cooperation in order to share the costs involved. In this connection, the Eureka project was favourably received by most Member States; it should facilitate the development of market-oriented high-technology products, have a major economic impact (e.g. on the environment) or contribute to the installation of large systems or networks (telecommunications and transport). Certain Member States nevertheless voiced the fear that they would not be able to take as active a part in the project as they would wish, in view of the research potential at their disposal. They also wished to see the links made clear between this new initiative and the framework programme for Community R & D activities and the Technology Community.¹

International cooperation

2.1.215. On 25 July the Council formally approved the cooperation agreement between the Community and the Kingdom of Norway on a research and development programme in the field of metals and mineral substances.³

2.1.216. On 5 August the Commission asked the Council to conclude two scientific and technical cooperation agreements between the Community on the one hand and Switzerland⁴ and Sweden,⁵ respectively, on the other. These agreements had

¹ Bull. EC 6-1985, points 1.2.6 and 1.5.1 *et seq.*

² OJ C 229, 9.9.1985.

³ OJ L 211, 8.8.1985.

⁴ COM(85) 446 final.

⁵ COM(85) 444 final.

been negotiated by the Commission in accordance with the brief the Council issued in April.¹

Cooperation will be effected by means of specific agreements that will determine the scientific and technical objectives, lay down rules governing the dissemination of knowledge and intellectual property and settle the financial implications.

2.1.217. On 27 August the Commission also asked the Council for authority to open negotiations with a view to concluding framework agreements for scientific and technical cooperation with Norway² and Finland.³

COST projects

2.1.218. On 16 July the Council approved the conclusion of two Community-COST concertation agreements.⁴ One relates to a concerted-action project on the use of lignocellulose-containing by-products and other plant residues for animal feeding (Project 84 bis), the other to a concerted-action project on the effects of processing and distribution on the quality and nutritive value of food (Project 91 bis).

These two projects were adopted in principle by the Council in April and May 1984 respectively.⁵

2.1.219. On 9 July the Commission requested⁶ the Council to extend until 31 December 1986 the Community concerted-action project relating to shore-based maritime navigation aid systems (COST Project 301), which the Council adopted on 13 December 1982.⁷

Sectoral R & D activities

Energy

Nuclear fusion energy

2.1.220. On 25 July the Council adopted⁸ the Decision concerning the setting-up of

a tritium-handling laboratory.⁹ This decision to build the laboratory at the JRC's Ispra Establishment supplements the Decision of 22 December 1983 on the research programme to be carried out by the Joint Research Centre during the period 1984-87,¹⁰ which set aside a budget of 12.5 million ECU for the project. The construction and operation of the laboratory will be fully integrated into the JRC's fusion technology and safety subprogramme, and the laboratory will contribute to the JET (Joint European Torus) fusion project. In general terms, the laboratory will tackle the problems associated with the operating safety of future fusion power stations.

Nuclear fission energy

Eighth Smirt Conference

2.1.221. One of the largest international conferences in the nuclear technology field, namely the Eighth International Conference on Structural Mechanics in Reactor Technology (Smirt-8)—organized directly by the Commission—was held in Brussels from 19 to 23 August.

This conference is one of the main forums for disseminating the results of research in the field of reactor safety and technology. It was attended by more than 1 000 participants from 30 different countries.

Generally speaking, the design and construction of structures is beset by mechanical problems that must be solved if nuclear reactors are to be operated safely and reliably.

At the various parallel sessions held in the course of this conference, nearly 100 scien-

¹ Bull. EC 4-1985, point 2.1.109.

² COM(85) 408 final.

³ COM(85) 411 final.

⁴ OJ L 199, 31.7.1985.

⁵ OJ L 103, 16.4.1984; OJ L 151, 7.6.1984.

⁶ OJ C 182, 20.7.1985; COM(85) 354 final.

⁷ OJ L 378, 31.12.1982; Bull. EC 12-1982, point 2.1.179.

⁸ OJ L 210, 7.8.1985.

⁹ Bull. EC 6-1985, point 2.1.164.

¹⁰ OJ L 3, 5.1.1984.

tific papers were presented and discussed on such topics as:

- computerized methods of structural analysis;
- the thermo-mechanical analysis of fuel elements and assemblies;
- experimental structural data on reactors in service;
- the structural analysis of fast-reactor cores and cooling circuits;
- light-water reactor components;
- concrete structures;
- extreme loading and containment response;
- the analysis of the seismic response of nuclear reactors;
- reliability of structures;
- the mechanical and thermal problems of fusion reactors.

Smirt-8 underlined the maturity gained by nuclear technology since preceding conferences; the role of nuclear technology and its impact on scientific disciplines such as structural mechanics were more clearly defined.

Self-diffusion measurements in uranium dioxide

2.1.222. Measurement of uranium self-diffusion in stoichiometric and hyper-stoichiometric uranium dioxide have been performed at the Institute for Transuranium Elements, the Karlsruhe Establishment of the Joint Research Centre. The measurements have shown that uranium diffusion is increased by a factor of five in an oxidizing atmosphere, with the result that sintering of uranium dioxide fuel can be accelerated at lower temperatures in a suitable oxidizing gas mixture (below 1 200 °C) than in a conventional reducing atmosphere.

A new fuel fabrication technique based on this method is now being used on an industrial scale. Kraftwerk-Union in the Federal Republic of Germany reports a sevenfold energy saving and a fourfold saving in pro-

duction time with the new process, which was recently employed for refuelling the Obrigheim reactor in Baden-Württemberg.

South Korea and China have shown interest in this fuel fabrication process.

Non-nuclear energy

2.1.223. The deadline for submission of projects, in response to the call for proposals published on 16 March,¹ with a view to participation in the programme on non-nuclear energy, fell on 15 July.

A total of 3 311 projects were received, covering eight of the nine subprogrammes (the energy systems analysis subprogramme was not included in the call for proposals).

The proposals registered represent a total research cost of 961 million ECU, to which the Community is asked to contribute 520 million ECU. This amount should be compared with the funds available for the conclusion of contracts, namely some 151 million ECU. The Community participation requested is therefore nearly three-and-a-half times the total appropriations set aside for that purpose.

It should be noted that over 42% of the proposals emanated from the private sector (mainly industry), while such proposals account for about 52% of the funds requested from the Community.

The evaluation and selection procedures will now be able to take place from the beginning of September until the end of October, with meetings of experts and of the Management and Coordination Committee (CGC) for Non-nuclear Energy.

As regards the energy systems analysis subprogramme, the CGC having already delivered a favourable opinion, 30 contracts to a total value of approximately 3.4 million ECU are to be concluded.

Further calls for proposals will be published at a later stage for the solar energy, biomass and wind energy subprogrammes, mainly

¹ OJ C 69, 16.3.1985; Bull. EC 3-1985, point 2.1.145.

for the development of pilot projects. About one third of the funds available in this area (i.e. 22 million ECU) will be set aside for contracts arising therefrom.

Raw materials

2.1.224. On 12 August the Commission transmitted to the Council a proposal for a Decision adopting a multiannual research action programme on materials (raw materials and advanced materials) for the period 1986-89.¹

The programme will cost an estimated total of 110 million ECU and covers the following fields:

- raw materials (72 million ECU); primary raw materials (exploration, mining, technology and mineral processing); secondary raw materials (recycling of non-ferrous metals and waste recycling and utilization); wood as a renewable raw material (wood production and utilization);
- advanced materials (38 million ECU): metal alloys; engineering ceramics; and composite materials.

The funds would be used chiefly for shared-cost research contracts with industry, research laboratories and universities, to which the Community would contribute up to a maximum of 50%.

The content of the programme corresponds to industry's current needs and follows on from previous programmes conducted in the field of mineral resources, wood utilization, engineering ceramics and waste recycling. Furthermore, the development or decline of many traditional or newly emerging sectors will depend on advanced materials: the Community must therefore help the industries concerned (the majority of which are composed of small and medium-sized businesses) to withstand competition from their counterparts in the United States and Japan, which often benefit from substantial public funding.

Industry

Telecommunications

RACE: definition phase

2.1.225. On 25 July the Council formally adopted the phase relating to the definition of Community measures in the field of telecommunications technologies (RACE),² approved by the Research Ministers in June.³ The definition phase will last eighteen months and comprises two parts.

The first part will cover the analytical work needed to build a reference model for integrated broadband communications (ICB), to be undertaken wherever possible by organizations such as CEPT (European Conference of Postal and Telecommunications Administrations). The second part will comprise evaluation projects carried out under contract which are necessary for clarifying the economic and technical options and determining the economic and technical feasibility of the reference model.

The Council foresees the possibility of Community funding for both parts of the programme; the cost of implementing the second part is estimated at 14 million ECU.

The main purpose of the definition phase is to carry out the preliminary work necessary for a closer definition of the operational needs of IBC.

Brite programme

2.1.226. From among the 559 proposals submitted to the Commission⁴ in response to the call for proposals⁵ issued in connection with the Brite programme,⁶ it has been possible after an initial evaluation by 63 independent experts, followed by two meet-

¹ COM(85) 399 final.

² OJ L 210, 7.8.1985.

³ Bull. EC 6-1985, point 2.1.164; OJ C 148, 18.6.1985; Bull. EC 3-1985, point 2.1.147.

⁴ Bull. EC 6-1985, point 2.1.171.

⁵ OJ C 27, 29.1.1985; OJ C 66, 14.3.1985; Bull. EC 3-1985, point 2.1.148.

⁶ OJ L 83, 15.3.1985; Bull. EC 3-1985, point 2.1.141.

ings of the Management and Coordination Committee (CGC) for Industrial Technologies, held in July, to select 100 proposals in respect of which the Community is to provide half of the funding, accounting for some 60 million ECU in all.

In view of the particularly high quality of the submissions, it has been necessary to draw up a reserve list of projects which, because of the Community's budgetary restrictions, cannot be funded at the moment. This list brings to nearly 200 the total number of projects which would normally be considered eligible for Community financial support.

The 100 proposals selected involve 432 bodies from all the Member States (i.e. an average of slightly over four proposals for each project); 60% of these bodies are industrial firms (of which 24% are small businesses), 21% are research institutes and 19% universities.

Technical steel research

2.1.227. On 18 July the Commission decided to transmit, under Article 55 of the ECSC Treaty, eight pilot demonstration projects for the steel industry to the Council, for its assent, and to the ECSC Consultative Committee, for its opinion.¹

2.1.228. On 17 July the Commission also approved the medium-term guidelines for technical steel research (1986-90),² which it transmitted to the ECSC Consultative Committee and the Council, for information.

These guidelines are drawn up with a view to focusing efforts on the steel industry's priority technological requirements and facilitating the selection of projects eligible for financial assistance from the Commission.

Agriculture

2.1.229. On 31 July the Commission adopted a Regulation on R&D measures

concerning new uses for products belonging to the wine sector.³

Environment

2.1.230. On 1 August the Commission transmitted to the Council a proposal for a Decision adopting three multiannual R&D programmes in the field of the environment (1986-90).⁴ The main objectives of these programmes are as follows:

- to establish a scientific basis for the implementation of the Community environment policy;
- to continue long-term basic research on important environmental problems.

The three programmes cover research on environmental protection, climatology and major technological hazards. The total funds necessary for their implementation are estimated at 105 million ECU for the period 1986-90, broken down as follows:

- environmental protection 65 million ECU;
- climatology 25 million ECU;
- major technological hazards 15 million ECU.

The new R&D programme on environmental protection is the logical follow-up to the 1981-85 programme⁵ and covers research work in fields such as the health and ecological effects of pollutants; the assessment of chemicals; air, water and soil pollution; noise; ecosystems; waste; and the reduction of pollution by clean technologies. It should as a matter of priority provide scientific support for the prevention policy conducted by the Community in the environmental field.

The aims of the climatology programme are to study the climatic effects of human activity, and in particular the consequences

¹ COM(85) 387 final.

² COM(85) 392 final.

³ OJ L 203, 1.8.1985.

⁴ COM(85) 391 final.

⁵ OJ L 101, 11.4.1981; Bull. EC 3-1981, point 2.1.160.

of the increase in the atmospheric CO₂ concentration in Europe due to the burning of fossil fuels, and the impact of climatic change on our natural resources.

The new programme on major technological hazards should provide support for the application of the Directive of 24 July 1982 on the major-accident hazards of certain industrial activities (the 'Seveso Directive').¹ Research will therefore be encouraged in order to improve the prevention, prediction and management of the major accidents that can occur during the production, storage or transport of dangerous substances (gas or dust explosions, catastrophic fires, toxic clouds, etc.).

The programmes are intended to be implemented in the following ways:

- shared-cost contracts with research organizations, universities and industry, preference being given to transnational projects that can be carried out under a single contract or a set of related contracts;
- concerted-action projects enabling specific research to be coordinated at Community level;
- 'catalytic' activities (workshops and assessment studies) and training activities (doctoral theses and exchanges of researchers).

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

2. Enlargement and bilateral relations with Portugal and Spain

2.2.1. From 1 July Spain and Portugal began to be represented by observers at Council meetings concerning Community activities after 1 January 1986. This is in addition to the consultation mechanisms provided for in the Act of Accession for the interim period.

Spain and Portugal were already represented at the meeting of the European Council in Milan on 28 and 29 June.

As in the case of previous enlargements, the Commission is inviting observers from the future Member States to meetings of committees operating under its auspices.

2.2.2. Procedures for ratifying the accession instruments were completed by Portugal on 12 July, by Belgium on 15 July and by Spain on 18 July.

Portugal

2.2.3. Under the agreement concerning pre-accession aid for Portugal which came

into effect on 1 January 1981,¹ the Commission and the Portuguese Government signed three financing agreements on 19 July—for two agricultural projects (EEC contribution 2 931 000 ECU) and a programme of technical assistance for the introduction of value-added tax in Portugal (EEC contribution 378 000 ECU).

The objective of the first two projects is structural adaptation to improve the conditions of agricultural production, with a view to Portugal's accession to the Community. The third programme is the Community's contribution to a much wider effort already undertaken by the Portuguese Government to reform its tax system, with the introduction of VAT as a major feature.

So far 82.6 million ECU has been disbursed, as grants, out of the 100 million ECU provided for in the agreement for such aid.

¹ Fifteenth General Report, point 624.

3. External relations

Commercial policy

Export promotion

2.3.1. A meeting of heads of the Member States' export promotion bodies took place in Rome on 25 and 26 July, chaired by Mr Willy De Clercq. Spain and Portugal were also represented at the meeting, which was held at the headquarters of the Istituto Nazionale per il Commercio Estero. A number of decisions were reached concerning the respective roles of the Commission and national departments in promoting Community exports; these should make for better coordination in future. A preliminary programme of Community-wide measures was established for 1986, to be funded partly from the Community budget.

Implementing the common commercial policy

Commercial policy instruments

Easing of restrictive measures

2.3.2. Under the Council Regulation of 14 November 1983 on import arrangements for products originating in State-trading countries, not liberalized at Community level,¹ the Commission opened the following quotas:

Italy—Albania: textile products;²

United Kingdom—Albania: textile products;³

Italy—Czechoslovakia: synthetic organic dyestuffs;⁴

Italy—Poland: synthetic organic dyestuffs, unwrought zinc ingots and refined zinc (98.5%);⁴

Italy—Romania: bulked man-made viscose staple fibres;⁵

Italy—Bulgaria: yarn of regenerated textile fibres;⁵

Italy—Soviet Union/German Democratic Republic: synthetic organic dyestuffs;⁵

Italy—Hungary: aluminous cement;⁵

Italy—Poland: TNT;⁵

Italy—People's Republic of China: silk yarn not put up for retail sale;⁶

Denmark—Poland: unworked drawn or blown glass (including flashed glass) in rectangles.⁶

Trade protection

2.3.3. The trade protection measures taken in July and August are shown in Table 10.

¹ OJ L 346, 8.12.1983.

² OJ C 178, 16.7.1985.

³ OJ C 194, 2.8.1985.

⁴ OJ C 199, 7.8.1985.

⁵ OJ C 201, 9.8.1985.

⁶ OJ C 205, 14.8.1985.

Table 10 — Trade protection measures

Council	Commission
<p><i>Anti-dumping proceedings</i></p> <p><i>Definitive anti-dumping duty</i> on imports of:</p> <ul style="list-style-type: none"> • certain hydraulic excavators originating in Japan OJ L 176, 6.7.1985 (provisional duty: OJ L 68, 8.3.1985) • certain kinds of polystyrene sheet originating in Spain OJ L 198, 30.7.1985 (provisional duty: OJ L 97, 4.4.1985) • glycine originating in Japan OJ L 218, 15.8.1985 (provisional duty: OJ L 107, 19.4.1985) 	<p><i>Anti-dumping proceedings</i></p> <p><i>Partial acceptance of application for refund</i> of provisional anti-dumping duties collected on certain imports of:</p> <ul style="list-style-type: none"> • hardboard originating in Sweden OJ L 237, 4.9.1985 (provisional duty: OJ L 241, 31.8.1983; OJ L 361, 24.12.1983) <p><i>Provisional anti-dumping duty</i> on imports of:</p> <ul style="list-style-type: none"> • basic chromium sulphate originating in Yugoslavia OJ L 205, 3.8.1985 (notice of initiation: OJ C 276, 16.10.1984) • roller chains for cycles originating in the Soviet Union or the People's Republic of China OJ L 217, 14.8.1985 (Notice of initiation: OJ C 235, 5.9.1984) <p><i>Notice of extension of the anti-dumping proceeding</i> concerning imports into Greece of:</p> <ul style="list-style-type: none"> • certain categories of glass originating in Turkey, Yugoslavia, Bulgaria, Hungary or Czechoslovakia OJ C 200, 8.8.1985 (Notice of initiation: OJ C 66, 14.3.1985) <p><i>Notice of initiation of an anti-dumping proceeding</i> concerning imports of:</p> <ul style="list-style-type: none"> • photocopying apparatus originating in Japan OJ C 194, 2.8.1985 <p><i>Suspension of definitive anti-dumping duty</i> on imports of:</p> <ul style="list-style-type: none"> • certain iron or steel coils originating in Brazil OJ L 184, 17.7.1985 (definitive anti-dumping duty: OJ L 210, 2.8.1983) • certain hot-rolled sheets and plates, of iron or steel, originating in Brazil OJ L 184, 17.7.1985 (definitive anti-dumping duty: OJ L 131, 20.5.1985) • certain cold-rolled sheets and plates, of iron or steel, originating in Brazil OJ L 184, 17.7.1985 (definitive anti-dumping duty: OJ L 312, 9.11.1982) <p><i>Cancellation of notice of initiation of an anti-dumping duty</i> concerning imports of:</p> <ul style="list-style-type: none"> • ball bearings and tapered roller bearings originating in Poland OJ C 183, 23.7.1985 <p><i>Notice of the expiry</i> of certain anti-dumping duties, countervailing duties and undertakings OJ C 209, 20.8.1985</p>

Export credits

Credits denominated in ECUs

2.3.4. At their 26th meeting on 3 July participants in the Arrangement on guidelines for officially supported export credits¹ agreed to the Community's proposal to establish a commercial interest reference rate (CIRR) for the ECU. Consequently, officially supported export credits denominated in ECUs can now be offered at a rate corresponding to the yield on medium-term ECU bonds as published by the Luxembourg stock exchange, plus a margin of 0.80%.

Concessional export financing

2.3.5. Participants also agreed, subject to confirmation, on a new definition of tied aid credits² which had been proposed by the Community. This new definition covers all types of tied aid financing transaction and thus represents an important step towards more transparency and discipline in the field of concessional export financing.

Sectoral commercial policy measures

Textiles

Agreements and arrangements with non-member countries

Renewal of the Multifibre Arrangement

2.3.6. The GATT Textiles Committee met in Geneva on 23 July to begin considering whether the Multifibre Arrangement should be extended, modified or discontinued after its expiry on 31 July 1986. The Community's representative made a statement presenting the broad outline of the Community position on the future of the MFA.³ He confirmed that in the context of the preparation for a new round of multilateral negotiations, the Community remained attached to the objective of progressive lib-

eralization of trade in textiles on the basis of a better balance of rights and obligations between contracting parties. Nevertheless, given the continuing difficulties faced by the European clothing and textiles industry, the extension of an appropriate multilateral framework was considered necessary. However, taking into account developments in the industry, the Community was ready to adapt the textile trade regime to present circumstances and to show greater flexibility in the application of the multilateral and bilateral provisions to be agreed provided that a parallel effort was made by the other countries participating in international textile trade towards the opening of their markets, according to the level of their development and their economic capabilities.

MFA countries

2.3.7. Consultations took place between the Community and India in Brussels on 26 July, and a number of issues relating to the management of the bilateral agreement were examined.

2.3.8. Consultations between the Community and Bangladesh were concluded on 29 July, when agreement was reached on the introduction of quantitative limits on exports of shirts from Bangladesh to France and the United Kingdom. The limits in question are for 1985 and 1986.

Mediterranean preferential countries

2.3.9. The Community also held consultations with Turkey in Izmir from 2 to 4 July to discuss the possibility of reaching agreement on a comprehensive administrative cooperation arrangement.

Electronic goods

Tariff changes

2.3.10. On 25 July the Council authorized the Commission to notify GATT of the

¹ Twelfth General Report, point 452; Bull. EC 2-1978, point 2.1.35; Bull. EC 4-1978, point 2.2.46; Bull. EC 4-1985, point 2.2.5; Bull. EC 5-1985, point 2.2.13.

² Bull. EC 4-1985, points 2.2.5 and 2.2.49.

³ Bull. EC 6-1985, point 2.3.5.

Community's intention to renegotiate its concession on video recorders and open consultations under Article XXVIII with Contracting Parties claiming negotiating rights in respect of the concession.

The Commission's proposal for adjustment of the tariffs on electronic goods,¹ now approved by the Council, comprises the following measures:

- an increase from 8% to 14% in the duty on video recorders, from 1 January 1986;
- a reduction from 17% to 14% in the duty on semiconductors;
- cuts in duties on consumer electronics; these no longer require special tariff protection because of shifts in production location patterns or limited growth potential.

Tariff reductions will be offered to Contracting Parties with a substantial interest, to compensate for the increase in duty on video recorders. Japan is the country mainly concerned.

The reasons for the increase in the duty on video recorders are essentially as follows:

- European manufacturers of video recorders, having embarked on radical restructuring of their activities, are still in a vulnerable position and need protection against Japan and new producers such as South Korea. The 14% duty will largely offset the lower production costs of Japan and other producing countries, while allowing enough fair competition to stimulate greater efficiency on the part of the Community industry.
- The higher tariff will replace the temporary protection extended to the industry until the end of this year by the three-year voluntary export restraint agreement entered into by Japan at the beginning of 1983.²

Tariff protection is more transparent and more acceptable to GATT than this sort of 'grey area' protection.

- Along with television sets and tuners, video recorders will increasingly form one of the components of integrated video systems. If the European industry was driven

out of the video recorder business, the viability of its production of such systems would suffer. Raising the duty on video recorders to 14% means that tariffs will be the same on all components of these systems, an important point, as cost comparability is essential to manufacturers.

The cut in the tariff on semiconductors will bring it into line with duties on other electronic parts and subassemblies, balancing the interests of the information technology industry, which uses semiconductors as an input, against those of Community producers of semiconductors. The Community regards the semiconductor industry as a key strategic sector which needs to be developed, but is currently experiencing problems which make continued protection a necessity.

Relations with industrialized countries

Multilateral aspects

Quadripartite meeting

2.3.11. Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and commercial policy, took part in a quadripartite meeting in Sault Sainte Marie, Ontario, Canada, with the Trade Ministers of the United States, Canada and Japan.

Their discussions were devoted largely to preparation of a new round of multilateral trade negotiations in GATT, the participants agreeing to work towards a consensus by this autumn as a basis for setting up a committee to prepare the new round in detail.

As usual, a number of bilateral meetings were also held at which Mr De Clercq raised a number of questions of current concern to the Community (access for Community

¹ Bull. EC 6-1985, point 2.3.8.

² Bull. EC 2-1983, point 1.2.4.

footwear to US and Canadian markets and for Community products generally to the Japanese market).

United States

Complementary Arrangement on steel products

2.3.12. On the basis of the mandate it received from the Council at the beginning of June,¹ the Commission pursued and completed its negotiations with the United States, at the end of which a Complementary Arrangement was initialled instituting a system of voluntary restraint of Community exports in 11 categories of steel products which hitherto were only covered by a consultation clause — with the notable exception of semifinished products — for the period 1 August to 31 December 1985. The export ceiling for all 11 categories is 197 917 short tons (179 548 tonnes). The Council approved the outcome of these negotiations on 6 August.²

The US authorities had been pressing the Community since February to limit its exports, which were considered by the US to be too high.³

In a press statement Mr Willy De Clercq welcomed the outcome of the negotiations: on the basis of Community export figures for the first seven months of the year, 1985 levels would be up 10-12% on 1984.

He added, however, that these negotiations were only the prelude to other, much more difficult ones to be held this autumn. He was aware that the United States would insist that the Community renew the 1982 Steel Arrangement, which was due to expire in December.⁴

Steel pipes and tubes

2.3.13. The Council also approved on 6 August the breakdown by Member State of the Community export ceilings for certain steel pipes and tubes.⁵

The quota agreed with the United States for pipes OCTG (oil country tubular goods) is

not an absolute figure but a percentage of the American market (10%) which currently corresponds to 257 700 tonnes, to be divided as follows:

Germany	112 870 tonnes;
Italy	83 750 tonnes;
Greece	19 585 tonnes;
United Kingdom	14 170 tonnes;
France	13 658 tonnes;
Belgium	12 885 tonnes;
Netherlands	515 tonnes;
Luxembourg	267 tonnes.

Pasta products

2.3.14. With the settlement in July of a dispute concerning pasta products between the Community and the United States, the possibility of another open trade confrontation was averted.

The American authorities had decided at the end of June on a substantial increase in the duties levied on imports of pasta products from the Community. This measure was taken in retaliation against the preferential treatment which the Community accords citrus fruit from certain Mediterranean countries, which a GATT panel had adjudged to entail injury to American exporters, notably Californian exporters of oranges. The Council had decided, in reaction to this measure, to raise the customs duty levied on lemons and walnuts in shell exported from the United States to the Community.

In mid-July, following contacts between Mr De Clercq and Mr Clayton Yeutter, the new United States Trade Representative, a compromise was worked out precluding implementation by the two sides of the above retaliatory measures. Under this

¹ Bull. EC 6-1985, point 2.3.9.

² All the EEC and ECSC texts concluding the Complementary Arrangement and implementing the new export restrictions were published in OJ L 215, 12.8.1985.

³ Bull. EC 2-1985, point 2.2.12; Bull. EC 6-1985, point 2.3.9.

⁴ OJ L 307, 1.11.1982; Bull. EC 7/8-1982, point 1.1.1 *et seq.*

⁵ OJ L 222, 20.8.1985; Bull. EC 1-1985, points 2.2.13 and 2.2.14.

compromise the Community undertook to reduce export refunds for pasta products exported to the United States and Canada. On 19 July the Council adopted by a qualified majority the Regulation enabling the Commission to vary export refunds for macaroni, spaghetti and similar products according to their destination.¹

2.3.15. On 11 July Parliament adopted a resolution concerning the above dispute (→ point 2.5.14).²

Footwear

2.3.16. Following the United States notification to GATT of the remedy proposals the US International Trade Commission had made in the context of the safeguard clause investigation on footwear, the Community held consultations with the US under Article XIX of the General Agreement on 11 July. The remedy measures proposed consist in the introduction of import quotas for all footwear of whatever origin of a value of more than USD 2.50.

The Community drew attention to the USA's undertaking at recent Western economic summits — reaffirmed in OECD and GATT — to halt protectionist pressures, and pointed out in particular that:

- imports are not the cause of the difficulties the US industry is faced with and the Community cannot therefore accept applicability of Article XIX;
- the Community is not responsible for the increase in imports, so action against imports from the Community would not be justified.

On 28 August President Reagan decided not to impose restrictions on footwear imports.

Japan

2.3.17. The Japanese Prime Minister, Mr Yasuhiro Nakasone, visited the Commission on 19 July. Following a private meeting with Mr Delors, a working meeting was held in the Commission conference

room, attended by Mr Narjes, Lord Cockfield, Mr Chéysson and Mr De Clercq.

The talks, which were conducted in an excellent atmosphere, concentrated on world economic problems and bilateral relations. The Commission drew the Prime Minister's attention to the serious monetary and financial problems being faced not just by the industrialized countries but, more especially, by the developing countries; these problems could lead to protectionist measures and warranted detailed discussion at the next summit of Western countries in Tokyo in May 1986.

The President and Members of the Commission stressed the special role to be played by Japan:

- in the area of trade, in redressing both the bilateral trade imbalance and Japan's overall current payments imbalance by genuinely opening up the Japanese market and, in particular, giving a verifiable undertaking to increase the country's imports of manufactures and processed agricultural products;
- in the financial area, by liberalizing the capital market in such a way as to enable European banks to develop their operations in Japan;
- by improving the quality of its investment in Europe.

The Commission also expressed its desire for closer cooperation in telecommunications and research (particularly in nuclear fusion) and expressed interest in participating in the cooperation planned for the Pacific area.

Mr Nakasone shared the Commission's views on the importance of monetary problems and North-South relations, and indicated his interest in scientific cooperation both on a bilateral basis and at the Europe-Pacific level. He stressed the need to bolster the free trade system and the steps being taken by Japan to open up its market, and

¹ OJ L 188, 20.7.1985.

² OJ C 229, 9.9.1985.

looked forward to the start of a new round of GATT negotiations.

Mr Delors proposed a meeting between the Commission and the relevant Japanese ministers in mid-November on trade relations, financial problems (opening up of the financial markets, role of the yen) and scientific and technological cooperation. Mr Nakasone agreed to such a meeting being held, so that progress to date in these fields could be reviewed.

2.3.18. On 30 July the Japanese authorities announced the broad lines of an action programme for the coming three years designed to improve access to the Japanese market in six areas — tariffs; import quotas; standards, certification and import procedures; government procurement; financial markets; services and import promotion. The Prime Minister took the opportunity to call once more for the liberalization of Japan's markets.

Mr De Clercq welcomed this move by the Japanese authorities. The Community will make a careful and detailed appraisal of the measures announced, and on this basis the Commission will report to the Council as requested in the statement of 19 June.¹

European Free Trade Association²

2.3.19. The eighth report on cooperation with the EFTA countries was approved by the Council on 22 July. This report highlights work on implementing the declarations adopted in Luxembourg on 9 April 1984³ and Vienna on 8 May last⁴ with a view to closer Community-EFTA cooperation in various economic spheres.

The Council noted with satisfaction the participation of certain EFTA countries in the Eureka project, which will contribute to the strengthening of technological cooperation in Europe (→ point 2.1.210).

Switzerland

2.3.20. Meetings of the EEC-Switzerland and ECSC-Switzerland Joint Committees

took place in Lugano on 4 July, with Mr Carlo Jagmetti, Head of the Swiss Mission to the European Communities, as chairman.

The topics discussed included international economic questions, the new round of GATT multilateral trade negotiations, the functioning of the agreements, EEC-Swiss cooperation outside the agreements and implementation of the Luxembourg Joint Declaration.³

Both sides reported that the agreements were functioning well and expressed their desire to pursue and consolidate their cooperation in areas of mutual interest.

2.3.21. Following negotiations with Switzerland on the basis of directives from the Council, the Commission asked the Council to conclude an agreement in the form of an exchange of letters on trade arrangements for soups, sauces and condiments.

Relations with other countries and regions

Mediterranean countries

Overall Mediterranean policy

2.3.22. On 18 July the Commission proposed to the Council that the trade provisions of the cooperation or association agreements linking the Community with the countries of the southern Mediterranean be adapted to ensure that the traditional export trade of the countries concerned would be maintained after enlargement (→ point 1.3.1. *et seq.*).

¹ Bull. EC 6-1985, point 2.3.14.

² For relations with the EFTA countries in the matter of research, see points 2.1.215 to 2.1.217.

³ Bull. EC 4-1984, point 1.2.1 *et seq.*

⁴ Bull. EC 5-1985, point 1.6.1 *et seq.*

Cyprus

2.3.23. On 17 July the Commission recommended to the Council that negotiations be opened with Cyprus on arrangements for the second stage of the EEC-Cyprus Association Agreement.

In conformity with the Council statement of 30 March concerning Cyprus,¹ the proposals make detailed provision for the gradual establishment of a customs union between the Community and Cyprus, and also deal with a number of problems which enlargement is likely to pose for certain traditional Cypriot exports to the Community.

Malta

2.3.24. On 17 July the Commission also recommended to the Council that negotiations be opened for a supplementary protocol to the EEC-Malta Association Agreement. Its proposals envisage the extension for a further five years of the provisions currently governing the first stage of the Agreement.

Yugoslavia

2.3.25. On 8 August the Commission sent the Council a proposal for the negotiation of new trade arrangements with Yugoslavia, to be implemented in conjunction with the adaptation of the Agreement consequent upon the accession of Portugal and Spain. The previous trade arrangements expired on 30 June and have accordingly been provisionally extended.

This proposal rounds off the set of measures adopted on 16 July to offset the effects of enlargement on the Mediterranean countries. The same general measures will thus also apply to Yugoslavia.

The new trade arrangements will run for a period of five years from the date of their entry into force. Quite apart from the need to take account of enlargement, they offer more generous treatment in terms of customs duties and ceilings for industrial prod-

ucts, and provide for certain improvements in the agriculture sector when the Community market situation permits.

2.3.26. On 25 July the Council formally adopted the Commission's negotiating mandate for the second EEC-Yugoslavia financial cooperation protocol.²

San Marino

2.3.27. On 6 August the Commission sent the Council a communication on negotiations with San Marino for an agreement to regulate a number of legal and economic issues concerning agriculture, trade, customs, transport and social security.

San Marino is not part of Italy, and its foreign relations are not the responsibility of a Member State. As far as the Community is concerned, therefore, it is a non-member country. Nevertheless, it is within the customs territory of the Community.

San Marino established diplomatic relations with the Community in May 1983, and shortly afterwards expressed a desire to negotiate an agreement.³

Southern and eastern Mediterranean countries

2.3.28. At its 22 and 23 July meeting the Council adopted common guidelines for the implementation of the new Mediterranean financial protocols.⁴

They provide essentially for an annual Council policy debate, approval of projects in accordance with the traditional management committee procedure and assessment of completed projects.

The Financial Regulation will apply to the new Mediterranean financial protocols due to take the place of the current protocols and will enter into force not later than 1 January 1987.

¹ Bull. EC 3-1985, point 2.2.20.

² Bull. EC 12-1984, point 2.2.26.

³ Bull. EC 7/8-1984, point 2.2.22.

⁴ Bull. EC 6-1985, point 2.3.27.

Countries of the Gulf and the Arabian Peninsula

Gulf Cooperation Council

2.3.29. At the Council meeting on 22 and 23 July Mr Cheysson reported on the state of the Commission's exploratory talks with the Gulf Cooperation Council.

The Council confirmed the economic and political importance it attached to the development of relations between the two regions. It also agreed to look again at the situation at a later date with a view to a ministerial meeting between the Community and the Gulf Cooperation Council.

Asia

Association of South-East Asian Nations

2.3.30. Mr Cheysson and the President of the Council, Mr Robert Goebbels, represented the Community at the annual meeting¹ of Asean Foreign Ministers with their opposite numbers from the 'dialogue' countries,² held in Kuala Lumpur from 11 to 13 July.

At both the plenary session and the bilateral EEC-Asean meeting the main subjects of discussion were Kampuchea, in particular Asean's proposal for 'proximity' talks, and international economic questions. International cooperation to combat drug abuse and terrorism were also discussed. The Community delegation participated as an observer in discussions between Asean and its Pacific dialogue partners on economic trends and developments in the Asia-Pacific region and cooperation in 'human resources' development.

At the bilateral meeting Mr Cheysson described the satisfactory state of EEC-Asean trade relations and stressed the need for new forms of cooperation to strengthen long-term economic links.

2.3.31. Visiting Singapore from 13 to 15 July, Mr Cheysson had further discussions on international economic affairs and new forms of EEC-Asean cooperation. These subjects will again be on the agenda for the meeting of Community and Asean Ministers for Economic Affairs to be held in Bangkok on 17 and 18 October.

2.3.32. In July the Commission proposed to the Council³ that a major Community exhibition be held in the Asean region on the theme 'The City in the year 2000', the aim being to show the Asean countries a representative sample of what the Community has to offer in various fields.

1 October marks the end of the first five-year stage of the EEC-Asean Cooperation Agreement, and while trade has flourished, investment in the region by European industry has been disappointing.

Pakistan

2.3.33. The new EEC-Pakistan commercial, economic and development cooperation agreement intialled in January⁴ was signed in Brussels on 23 July.

The open-ended agreement, concluded for an initial period of five years, sets out cooperation objectives and ways of giving them effect. Special emphasis is placed on cooperation between firms.

The trade clauses in the new agreement are similar to, though more detailed than, those in the 1976 Commercial Cooperation Agreement. In addition, the parties undertake to hold consultations on bilateral and international trade or economic problems.

Economic cooperation is to be extended, with particular emphasis on industrial cooperation and technology transfer, the opening-up of new sources of supply and

¹ Bull. EC 7/8-1984, point 2.2.23.

² Australia, Canada, the Community, Japan, New Zealand and the United States.

³ COM(85) 341 final.

⁴ Bull. EC 1-1985, point 2.2.23; see also Bull. EC 4-1985, point 2.2.22.

markets, and scientific, technical and energy cooperation; cooperation is also envisaged in other areas of common interest such as agriculture, fisheries, forestry, transport and communications and environmental conservation.

The development section of the agreement sets out to improve the effectiveness of the Community's aid to Pakistan and coordinate it with bilateral aid given by the Member States.

2.3.34. On 11 July Parliament adopted a resolution on trade with Taiwan and another on the prospects for trade and economic relations between the Community and Hong Kong (→ point 2.5.14).¹

Latin America

Central America

2.3.35. On 22 July the Council authorized the Commission to negotiate a framework economic cooperation agreement between the Community and the Central American countries of El Salvador, Honduras, Guatemala, Nicaragua, Costa Rica and Panama in accordance with its directives.²

The idea of negotiations dates from the San José ministerial meeting in September 1984,³ attended by representatives of the Ten, Spain and Portugal, Central America, and the Contadora countries (Colombia, Venezuela, Panama and Mexico).

The agreement will enable the Community to contribute to the development and stability of Central America and provide practical support for the process of regional integration taking place within the Central American common market.

Argentina

2.3.36. Mr Lucio Reca, Argentina's Minister for Agriculture, visited the Commission on 22 July for talks with Mr Cheysson and Mr Andriessen.

After giving an account of Argentina's present difficulties, Mr Reca sought the Community's support on farm exports and a number of other issues.

The Commission was sympathetic to Mr Reca's requests, though pointing out that the export sectors of interest to Argentina were sensitive for the Community. While it welcomed the possibility of improving trade, it indicated that Argentina should do more to diversify its exports.

Andean Pact

2.3.37. From 25 to 31 July Mr Cheysson visited three Andean Pact countries—Colombia, Peru and Venezuela. His visit to Colombia was at the invitation of the Government, while in Peru he stood in for the President of the Commission at the inauguration of the country's new President, Mr Alán García. In Venezuela, Mr Cheysson had talks with the President and other members of the Government and met representatives of SELA, the Latin American Economic System.

His discussions with the presidents of all three countries and with the Junta of the Andean Pact centred on the Community's relations with the region, the Contadora process and the indebtedness of Latin American countries.

State-trading countries

Council for Mutual Economic Assistance

2.3.38. On 30 July Mr De Clercq received the Romanian Ambassador to Belgium, to whom he handed a letter for Mr Vyacheslav Sychov, Secretary of CMEA. A letter from Mr Sychov had been handed to Mr Delors by the Polish Ambassador on 14 June,⁴ containing a proposal that relations be

¹ OJ C 229, 9.9.1985.

² Bull. EC 5-1985, point 2.2.37.

³ Bull. EC 9-1984, point 1.3.1. *et seq.*

⁴ Bull. EC 6-1985, points 2.3.37 and 2.3.38.

established between the Community and CMEA by adoption at a high-level meeting of an appropriate joint statement.

In its reply, the Commission confirmed the Community's willingness to resume the dialogue with CMEA which was broken off in 1981, and asked for CMEA's views on the content of such a statement.

the Community believes that whatever the shape of CMEA-Community relations, they must not affect its present or future relations with the individual members of the organization, and has asked for CMEA's views on the matter.

In the light of CMEA's reactions it will consider the future direction of the talks.

China

2.3.39. On 11 July Parliament endorsed¹ the Commission proposal of December 1984² on the conclusion of a Trade and Economic Cooperation Agreement with the People's Republic of China.

Development

Generalized tariff preferences

Scheme proposed for 1986

2.3.40. On 14 August the Commission sent to the Council its proposals for the generalized tariff preferences scheme for 1986.³

These proposals, which fall within the general guidelines for the GSP for the period 1986-90 presented to the Council in May⁴ and take account of the accession of Portugal and Spain to the Community, represent an improvement of some 10% on the 1985 offer. The proposed total preferences for 1986 amount to 19 000 million ECU. The Community is thus pursuing its open-door trade policy with respect to the developing countries' exports.

In the case of industrial products other than textiles, the proposed measures comprise the following: an updating of the preferential amounts; a general improvement of preferences by the withdrawal of certain products from the list of 'sensitive' products, and a sizeable reduction in the number of individual country quotas; greater differentiation by excluding a limited number of products from preferences in the case of countries which have reached what can be regarded, on the basis of objective criteria, as a significant level of competitiveness for those products (Hong Kong, South Korea, Brazil, Singapore).

In the case of MFA textile products, the Commission is proposing a further increase in the ceiling equivalent to that agreed by the Council for 1984 and 1985. Costa Rica and Argentina are included in the scheme. The offer for non-MFA textiles is maintained with the same amounts, but plus an upward adjustment to take account of the accession of Portugal and Spain.

With regard to agricultural products, a few new products (offal of bovine animals and horses, trout, asparagus, mandarins, dried pears) of particular interest to Latin America have been added to the list of products enjoying a preferential margin. In the case of products subject to quotas or ceilings (tobacco, pineapple, soluble coffee), the Commission is considering adapting the levels to take account of enlargement.

Further measures are to be taken as regards the management of the scheme in order to make it operate more reliably and transparently.

GSP information seminars

2.3.41. In July the Commission held two-day information seminars on the Community's generalized preferences scheme in Argentina and Uruguay.

¹ OJ C 229, 9.9.1985.

² Bull. EC 12-1984, point 2.2.35.

³ COM(85) 425 final.

⁴ Bull. EC 5-1985, point 2.2.42.

These seminars, which were held in Córdoba, Buenos Aires and Montevideo, aroused considerable interest and were very well attended — with some 75 participants in Córdoba, 220 in Buenos Aires and 80 in Montevideo, drawn mostly from the business community but also including civil servants concerned with trade policy, trade promotion and the issuing of certificates of origin.

All aspects of the Community's current generalized preferences scheme were presented and examined in detail at each of the seminars, which also provided an opportunity, on the basis of past experience, for looking into possibilities for improving utilization in the future.

Commodities and world agreements

Cocoa

2.3.42. The International Cocoa Council¹ decided at the regular session held in London from 8 to 19 July to extend the 1980 International Cocoa Agreement for a further year, on the same terms as agreed in July 1984, i.e. with continued suspension of purchases by the buffer stock.

The Council was unable to revise the intervention price bracket; on the basis of its examination, however, it concluded that the 1980 Agreement had not succeeded in attaining its objectives, largely because of the disturbed state of the foreign exchange markets, and the lack of provisions in the Agreement enabling the price bracket to be adjusted in line with market realities.

The fact that this conclusion was reached by all the parties to the Agreement may facilitate the ongoing negotiation of a fourth International Agreement and meant that on 19 July the President of the Cocoa Conference, Mr Montes (Guatemala) was able to announce that he intended to propose the resumption of the Conference in February 1986.

A highly intransigent attitude was adopted by the Soviet delegation, which, in the absence of the United States, holds, together with its State-trading partners, 23% of the consumer countries' votes under the present Agreement.

The Council set up a working party to examine the concept of special stock rotations, initially presented by the Community, and the question of the allocation of the stock supplies among the consumer countries, initially presented by the USSR.

Olive oil

2.3.43. At its meeting in April the International Olive Oil Council (IOOC) decided to extend the 1979 International Olive Oil Agreement until 31 December 1986.

It also decided to request Unctad to arrange a conference in Geneva in June 1986, for the negotiation of a new Agreement which could enter into force on 1 January 1987.

In order to make thorough preparations for this conference, the IOOC set up a drafting committee, which will hold its first meeting in Madrid on 30 September.

On 19 July² the Commission asked the Council for authority to participate, with the assistance of the relevant Council committee, in the work of the IOOC and possibly in the June 1986 discussions within Unctad, in order to negotiate a new International Olive Oil Agreement to which the Community can subscribe.

Campaign against hunger in the world

Special programme

2.3.44. On 6 August the Commission presented to the Council a proposal³ for a Regulation extending from 31 December

¹ Bull. EC 7/8-1984, points 2.2.43 and 2.2.44.

² COM(85) 378 final.

³ OJ C 219, 29.8.1985; COM(85) 442 final.

1984 to 31 December 1986 the period of validity of the Regulation of 11 July 1983 implementing a special programme to combat hunger in the world.¹

This extension is necessary so that optimum use can be made of the funds under the 1985 budget.

Food aid

2.3.45. With the endorsement of the Food Aid Committee, on 9 July the Commission decided on the food aid operations set out in Table 11.

¹ OJ L 196, 20.7.1983; Bull. EC 7/8-1983, point 2.2.65.

Table 11 — *Food aid operations*

		<i>tonnes</i>				
		Cereals	Milk powder	Butteroil	Vegetable oil	Sugar
Sierra Leone	cif	6 000				
Ethiopia	fd		600	300	300	
Somalia	cif	18 000	1 000	300		
Madagascar	fob	15 000	200			
Comoros	cif	1 000	100			200
Kenya	fob	11 000				
Lesotho	fd	3 000				
Lebanon	fob	8 000	500			
Egypt	fob	120 000	1 500	2 000		4 000
India	cif		15 000	2 000		
Sri Lanka	cif	40 000				

fd: free at destination.

2.3.46. In July/August the Commission decided on the following emergency aid operations:

Ethiopia: 1 400 t of milk powder — 500 t of butteroil

Chad: 500 t of milk powder

Mauritania: 650 t of milk powder — 500 t of butteroil

Somalia: 500 t of milk powder

Sudan: 250 t of milk powder

Honduras: 50 t of milk powder

Angola: 1 200 t of cereals — 500 t of legumes — 200 t of milk powder.

In this last case the aid is intended mainly for the victims of the drought in the province of Namibe. It will be distributed as part of a food for work programme.

2.3.47. The following allocations were also decided on:

10 000 t of cereals of UNHCR for distribution to refugees from Honduras;

2 200 t of cereals for UNHCR for distribution to refugees in Somalia;

1 800 t of cereals for Trocaire/CIDSE (NGO) for distribution in Kampuchea;

2 000 t of cereals and 300 t of sugar for UNRWA for Palestinian refugees in Lebanon;

250 000 ECU for the purchase of biscuits with a high energy value and for the distribution of these biscuits in the refugee camps in Ethiopia, Somalia and Sudan by Licross and UNHCR.

*

2.3.48. In July Parliament adopted two resolutions on emergency measures to be taken by the Community and its Member States to assist African countries threatened by famine and on the failure of the Euro-

pean Council in Milan to decide on action to help these countries (→ point 2.5.14).¹

It also passed a resolution on the instituting of a week of solidarity with Third World children and young people (→ point 2.5.14).¹

Emergency aid

2.3.49. In view of the operation being conducted by the NGO 'Médecins du monde' to save refugees on the China Sea, the Commission decided on 19 July to grant the organization emergency aid of up to 100 000 ECU. This will help to cover some of the costs of hiring and running the ship used for the operation.

Stabex

Transfers

2.3.50. On 31 July the Commission decided, under the export earnings stabilization system (Stabex), on a second instalment of transfers, to be made to seven ACP countries for the 1984 application year.²

The transfers cover the countries and products set out in Table 12.

Table 12 — *Transfers under Stabex (second instalment 1984)*

	Product	ECU
Grenada	Fresh bananas	238 623
Grenada	Cocoa beans	537 027
Benin	Oil-cake	510 647
Burundi	Cotton, not carded or combed	586 670
Comoros	Vanilla	3 553 153
Sierra Leone	Coffee	5 192 233
Tanzania	Cashew nuts and kernels	2 744 648
Togo	Coffee	7 984 610
Total		21 347 611

LLDCs not party to the Lomé Convention

2.3.51. The September 1981 Paris Conference on the least-developed countries³ called on developed countries 'to study ways and means of helping the least-developed countries to offset the damaging effect of injury caused by loss of foreign exchange earnings arising from fluctuations in the latter's exports of primary commodities' and to report to Unctad VI.

The Community responded by expressing its willingness 'to examine in a constructive spirit the most appropriate means of meeting this request, particularly by studying what arrangements could be made and how to extend to the least-developed countries not party to the Lomé II Convention dispositions similar or equivalent to those of Stabex'.

The coordination meetings which took place before and during Unctad VI in June 1983⁴ failed to produce a Community position.

On 6 August the Commission sent a communication⁵ to the Council which is to serve as a basis for working out a common stance in time for the Unctad meeting in Geneva from 30 September to 11 October.

The United Nations list of least-developed countries comprises 36 countries. Twenty-seven of these are ACP countries and are thus covered by Stabex under the Lomé Convention. The extended Stabex would take in another nine countries: Afghanistan, Bangladesh, Bhutan, Haiti, Maldives, Nepal, Laos, the Yemen Arab Republic and the People's Democratic Republic of Yemen.

The Commission points out that if Stabex is extended to these countries, it should include the 48 products already covered under Lomé III plus jute and jute-based

¹ OJ C 229, 9.9.1985.

² Bull. EC 6-1985, point 2.3.54.

³ Bull. EC 9-1981, point 2.2.10.

⁴ Bull. EC 6-1983, point 2.2.47.

⁵ COM(85) 443 final.

products. Figures are also given for the financial implications of extending the scheme.

The Commission proposes that the Community and its Member States take the opportunity offered by the Geneva meeting to:

- announce their intention of unilaterally establishing a system of the Stabex type under the third Lomé Convention for the benefit of the least-developed countries which are not already covered, and to that end of contacting the countries concerned to reach agreement with them on the practical details of the scheme's implementation;
- appeal to other commodity-importing countries to participate in the initiative by setting up parallel schemes; and

- indicate their willingness to join with other importers interested by such an approach in working out appropriate administrative cooperation arrangements for the coordination and implementation of such parallel schemes.

Financial and technical cooperation

ACP States and OCT

2.3.52. In July the Commission decided to allocate fourth and fifth EDF resources totalling 45 100 000 ECU to finance projects and programmes which it administers in the following sectors:

Table 13

<i>million ECU</i>			
	Project	Grants	Loans
<i>Rural production</i>			
Bahamas	Livestock production	0.2	
Somalia	Livestock production	0.2	
Somalia	Hydro-agricultural schemes	7.6	
Caribbean region	Plantations	0.9	
Caribbean region	Cocoa	2.6	
Chad	Livestock production	5.3	
<i>Economic infrastructure</i>			
Gambia	Roads and bridges	2.7	
Equatorial Guinea	Roads and bridges	0.8	
Tanzania	Roads and bridges		4.1
Pacific region	Ports and waterways	3.2	
<i>Industrialization</i>			
Rwanda	Sysmin		2.8
Botswana	Mining and quarrying	1.3	
Sierra Leone	Mining and quarrying	1.0	
Wallis and Futuna	Energy projects	1.2	
French Polynesia	Agri-food industry	0.7	
<i>Social development</i>			
Equatorial Guinea	Training and study awards	1.1	
Lesotho	Health	0.6	
St Christopher and Nevis	Education infrastructure	0.8	
Burkina Faso	Village water engineering	5.0	
Mauritania	Vocational training	2.5	
Sao Tome	Urban sanitation	0.5	

2.3.53. In July and August the Community aid programming process was concluded for 11 ACP countries by the signing of indicative programmes relating to financial and technical cooperation.

The countries in question were: Burundi, Central African Republic, Dominica, Grenada, Malawi, Mali, Mauritius, Saint Lucia, Saint Vincent and the Grenadines, Senegal and Tanzania.

The signing of the indicative programme took place at the end of the programming mission undertaken by the Commission and the European Investment Bank to each ACP State. It was therefore the last step in a continued process of discussions between the ACP State and the Community during which the ACP State's priorities, the most appropriate areas for support by the Community and the ACP State's own measures were identified.

The indicative programmes reflect the ACP States' and the Community's concern to make the aid more effective and concentrate it upon rural development and food security, two areas vital to most ACP countries.

2.3.54. A framework agreement on the cofinancing of development projects and programmes was signed in Rome on 12 July by Mr Andreotti, the Italian Foreign Minister, and Mr Natali, the Commission Vice-President with special responsibility for development cooperation.

The agreement comes in response to a Council resolution of June 1984 calling for an improvement in the coordination between the Commission and the Member States of cooperation policies and activities, cofinancing being one of the most important means to that end.¹

Italy is to make some 165 million ECU available to the Commission during the five-year life of the agreement, to be administered by the Commission in accordance with its own procedures for the administration of development projects and programmes. The Italian authorities reserve the right to approve the contracts to be financed

by Italy, which must normally be for supplies (in particular equipment) of Italian origin.

The newly signed agreement is the first of its kind, and is aimed at improving coordination and planning, and consequently the effectiveness of the aid.

Non-associated developing countries

2.3.55. The Commission decided on 8 July—with the endorsement of the Committee on Aid to Non-associated Developing Countries—to finance the following out of 1984 budget appropriations:

*CGIAR research institutes*²—aid for research (project cofinanced with the CGIAR): total cost 115 436 300 ECU, Community contribution 6.3 million ECU;

Bhutan—rural water supply and sanitation (autonomous project): total cost 5.2 million ECU, Community contribution 4.5 million ECU;

Non-associated developing countries and bodies eligible for EEC financial and technical assistance—services of outside experts (autonomous project): total cost 4 million ECU, Community contribution 4 million ECU.

On 24 July the Commission decided to increase the Community financing for the 'Minor irrigation in Andhra Pradesh' project to 30 million ECU. This sum will be drawn from the counterpart funds from the sale of fertilizers supplied to India under project NA/84/10 instead of the 'Minor irrigation in Madhya Pradesh' project, which Madhya Pradesh has cancelled.

¹ Bull. EC 6-1984, point 2.2.41.

² CGIAR (Consultative Group on International Agricultural Research), covering five research centres: CIAT (International Centre for Tropical Agriculture), CIP (International Potato Centre - Lima, Peru), Icrisat (International Crops Research Institute for the Semi-Arid Tropics), IRRI (International Rice Research Institute — Manila, Philippines), and Isnar (International Service for National Agriculture Research).

Cooperation via non-governmental organizations

2.3.56. In the period 1 January to 31 August this year a total of 16.7 million ECU was committed by the Commission for the co-financing of 135 projects presented by 81 NGOs.

The Commission also committed a total of 1 888 660 ECU to 33 campaigns to increase European public awareness of development issues.

International organizations and conferences

United Nations

Economic and Social Council

2.3.57. The Economic and Social Council met in Geneva from 3 to 26 July for a session on the general theme of the inter-relationship of financial, monetary and trade questions. The UN Secretary-General, Mr Pérez de Cuéllar, gave a balanced address on the subject of interdependence and emphasized the importance of the new round of multilateral trade negotiations and Unctad's role in such a process. He also commented at length on the 'crisis of multilateralism', stressing the need for a political reappraisal of the multilateral system at a time when social indicators are declining, uncertainty is increasing and the development of private links is drawing certain aspects of the world economy outside government control.

The Community, in statements by the President of the Council and the Commission representative, emphasized the particular need to tackle the prime causes of indebtedness. It also reported that its official aid in 1984 amounted to 0.52% of the Community countries' gross national product, compared with 0.36% for the OECD's Development Assistance Committee countries taken as a whole.

Economic Commission for Europe

2.3.58. A special meeting of experts on industrial cooperation was held in Geneva from 8 to 10 July under the aegis of the Committee on the Development of Trade. The main purpose of the meeting was to take stock of recent experiences and discuss the problems of and outlook for East-West industrial cooperation.

*

2.3.59. The plenary session of the United Nations Conference bringing to a close the Decade for Women took place in Nairobi from 13 to 26 July (→ point 2.1.94).

Organization for Economic Cooperation and Development

International Energy Agency

2.3.60. A ministerial meeting of the Governing Board of the International Energy Agency was held in Paris on 9 July (→ point 2.1.205).

Conference on Security and Cooperation in Europe

2.3.61. On 30 July the Luxembourg Foreign Minister, Mr Jacques Poos, who was in Helsinki for the ceremony marking the 10th anniversary of the signing of the Final Act of the Conference on Security and Cooperation in Europe, delivered on behalf of the 10 Member States and of the Community an address in which he reiterated the importance they attached to the implementation of all the provisions of the Final Act.

Diplomatic relations

2.3.62. The President of the Council and the President of the Commission received the following ambassadors, who presented their letters of credence, to take effect on the dates shown:

25 July

HE Mr Zachée Mongo Solo, Representative of the Republic of Cameroon to the EEC and Head of Mission to the ECSC and Euratom; HE Mrs Frances Vitória Velho Rodrigues, Head of Mission of the People's Republic of Mozambique to the European Communities; HE Mr Oswald M. Gibbs, Head of Mission of Grenada to the European Communities; HE Mr Joseph Ahwa Laryea, Head of Mission of the Republic of Ghana to the European Communities;

26 July

HE Mr Julio Ego-Aguirre-Álvares, Head of Mission of the Republic of Peru to the

European Communities; HE Mr Alberto Lozano Simonelli, Head of Mission of the Republic of Colombia to the European Communities; HE Mr Claudio Soto Badilla, Head of Mission of the Republic of Costa Rica to the European Communities; HE Mr Dido Florentín-Bogado, Head of Mission of the Republic of Paraguay to the EEC;

29 July

HE Mr Ahmed Ghanem Al-Romaihi, Head of Mission of the State of Qatar to the European Communities.

Mrs Velho Rodrigues is Mozambique's first ambassador to be accredited to the Communities. This brings the number of diplomatic missions to 129.

4 Financing Community activities

Budgets

General budget

1986 budget

Preliminary draft budget

2.4.1. On 31 July the Commission, in accordance with Article 78(3) of the ECSC Treaty, Article 203(3) of the EEC Treaty and Article 177(3) of the Euratom Treaty, sent the budgetary authority the preliminary draft general budget of the Communities for 1986, which it had adopted on 14 June.¹

Three-year financial forecasts 1986-87-88

2.4.2. As required by the Council Decision of 21 April 1970,² the Commission accompanied its preliminary draft budget for

1986 with financial forecasts for the three subsequent years.

These forecasts were based mainly on the following assumptions:

- that own resources would be increased with the rise in the VAT limit to 1.4%;
- that Portugal and Spain would be gradually integrated;
- that the financial guideline would be applied to restrict the increase in EAGGF Guarantee Section expenditure to the increase in own resources;
- that it was planned to increase the share of research appropriations to 6% of the total appropriations for commitments in 1989;
- that an additional 1 600 million ECU would be spent on the integrated Mediter-

¹ Bull. EC 6-1985, points 1.6.7 to 1.6.14.

² OJ L 94, 28.4.1970.

anean programmes (Chapter 55 B) over a period of seven years;

- that the correction mechanism would be applied to the budgetary imbalances in favour of the United Kingdom.

2.4.3. Total expenditure, in terms of total appropriations for both payments and commitments, will rise by roughly 8.5% a year, or barely 4% a year in real terms—including the sizeable increase in requirements as a result of enlargement.

Total appropriations for payments will rise from 35 050.7 million ECU in 1986 to 41 100 million ECU in 1988, while total appropriations for commitments will rise from 36 359 million ECU in 1986 to 42 700 million ECU in 1988.

A uniform VAT rate of 1.26% in 1987 and 1.28% in 1988 will be necessary to cover the

total appropriations for payments required, before any correction for budgetary imbalances is made. The correction for budgetary imbalances will bring the highest VAT rates up to 1.365% in 1987 and 1.384% in 1988.

The remaining margin within the 1.4% VAT limit will amount to some 700 million ECU in 1987 and 330 million ECU in 1988. Allowing for fluctuations on the agricultural markets and the uncertainties surrounding the financial impact of enlargement, the forecasts for 1987 and 1988 may very well turn out to be minimum values rather than central estimates. The margin of some 700 million ECU in 1987 is very slim indeed. A drop in the USD/ECU exchange rate of only 7%, a bumper harvest or serious destocking measures would each swallow up that margin.

Table 14 — *Three-year financial forecasts 1986-88*
Expenditure (Appropriations for payments)

Sector	(million ECU)				
	1984 ¹	1985	1986	1987	1988
<i>Expenditure</i>					
1. EAGGF Guarantee Section (Titles 1 and 2 B)	18 330.8	19 955.0	20 688.0	22 800	24 400
2. Fisheries and the sea (Chapters 40 to 46 B)	61.3	111.7	236.0	310	380
3. Structural expenditure					
(a) EAGGF Guidance (Chapters 30 to 34 B)	646.8	632.5	865.0	1 130	1 230
(b) Social Fund (Chapters 60 and 61 B)	1 606.0	1 410.0	2 399.0	2 570	2 820
(c) Regional Fund (Chapters 50 and 51 B)	1 350.6	1 610.0	2 600.0	2 710	3 240
(d) Mediterranean programmes (Chapter 55 B)	10.0	10.0	151.0	220	290
(e) Transport (Chapter 58 B) (former Chapter 78 B — 1984)	7.1	35.6	73.6	90	100
(f) <i>Total (a) to (e)</i>	(3 620.5)	(3 698.1)	(6 088.6)	(6 720)	(7 680)
4. Energy (Chapter 70 B)	133.8	83.3	46.2	100	100
5. Research (Chapter 73 B)	441.0	559.0	634.1	1 000	1 300
6. Innovation (Chapter 75 B)	9.7	13.7	21.3	30	25
7. Industry (Chapter 77 B)	51.8	44.7	69.3	80	110
8. Development cooperation (Chapters 92 to 99 B)	1 006.5	1 043.7	1 651.8	1 730	1 800

Table 14 (continued)

Sector	1984 ¹	1985	1986	1987	1988
9. Miscellaneous and reserve	240.2	497.2 ²	654.5 ³	270	290
10. Refunds to Member States					
(a) 10% (Chapter 80 B)	1 038.3	1 070.3	1 239.9	1 320	1 420
(b) Refunds to Greece, Spain and Portugal of part of their VAT/GNP contributions (Chapters 86 B)	44.2	24.0	1 802.6	1 600	1 400
(c) Repayment of 1984 advances (Chapter 87 B)	—	—	250.9	250	250
11. Administrative expenditure of the institutions	1 223.0	1 332.5	1 667.5	1 840	1 930
12. Specific measures for UK and Germany (1984)	1 202.0	—	—	—	—
13. Expenditure (1) to (12) — Total (rounded)	27 403.1	28 433.2	35 050.7	38 050 38 100	41 085 41 100

¹ Expenditure as defined for the column 'Outturn 1984' in the budget, i.e.:

— for non-differentiated appropriations: payments in 1984 against appropriations for 1984 plus carryovers to 1985;
— for differentiated appropriations: payments in 1984 against appropriations for the year and against carryovers from the previous year.

² Including a partial payment of 172.5 million ECU on a deficit of 419 million ECU carried over from the previous year.

³ Including a reserve of 400 million ECU.

Table 15 — Three-year financial forecasts 1986-88
Resources and VAT rate

Sector	1984	1985	1986	1987	1988
<i>(million ECU)</i>					
<i>Resources</i>					
1. Miscellaneous revenue	467.1 ¹	287.4	263.5	300	330
2. Customs duties	7 960.8	8 596.1	9 700.5	10 260	11 000
3. Agricultural and sugar levies	2 436.4	2 106.6	2 698.7	2 900	3 050
4. VAT/GNP-based financial contributions	14 594.6	15 461.5	22 388.0	24 640	26 720
5. Advances from Member States	1 001.8	1 981.6			
6. Total (1) to (5)	26 460.7	28 433.2	35 050.7	38 100	41 100
7. 1% of VAT base/GNP	14 594.6	15 461.5	17 966.8	19 520	20 820
8. 1.4% of VAT base/GNP (1986-88)	—	—	25 153.5	27 330	29 150
9. Resources within the limit of					
(a) 1% of VAT/GNP (1984-85)	26 460.7	28 433.2			
(b) 1.4% of VAT/GNP (1986-88)			37 816.2	40 790	43 530

Table 15 (continued)

Sector	1984	1985	1986	1987	1988
10. VAT rate					
(a) Uniform VAT rate before correction of budgetary imbalances (in %)	(1.069)	(1.128)	1.246	1.262	1.283
(b) Correction of budgetary imbalances:					
— net amount	(750)	1 000	1 400	1 400	1 500
— equivalent consumption of own resources (VAT)	(1 202)	(1 516)	1 978	2 000	2 100
(c) Highest VAT rate after correction of budgetary imbalances (in %)	(1.151) ²	(1.226) ²	1.356	1.365	1.384
11. Difference between net resources and total expenditure in terms of appropriations for payments (Table 5, item 13)	(-942.4)	(-1 516.0)	+787.3	+690	+330

¹ This figure includes the surplus from 1983 (307.1 million ECU) and VAT/GNP balances and corrections (-111.7 million ECU).

² Notional rate = (4) + (5) + (second indent of 10 (b)) ÷ (7).

Own resources

2.4.4. Following the Council's request last May for its opinion on the proposal for a Regulation¹ extending the term of validity of Regulation No 2892/77 of 19 December 1977,² implementing in respect of own resources accruing from value-added tax the Decision of 21 April 1970,³ the Court of Auditors published its opinion on 8 July. It regretted the fact that the transitional arrangements had been extended and repeated its request that the Commission establish a uniform system for determining the methods of calculation and the VAT base.⁴

Budgetary discipline

2.4.5. On 23 July the Council formally adopted the frame of reference for the budgetary year, which it had approved in principle on 8 July.⁵

This is the first occasion that the conclusions of the Council of 4 December 1984 on budgetary discipline⁶ have been applied.

In this connection, the Council confirmed its wish to examine with Parliament and the Commission the means to ensure the necessary cooperation with a view to budgetary discipline common to the three institutions.

Financial Regulation

2.4.6. The Commission updated⁷ on 3 July⁸ the draft Regulation laying down detailed rules for the implementation of certain provisions of the Financial Regulation of 21 December 1977⁹ which it had sent to all the institutions in August 1980.¹⁰

This draft provides additional details on the recovery of revenue (a clear distinction will

¹ OJ C 125, 22.5.1985; Bull. EC 4-1985, point 2.3.4.

² OJ L 336, 19.12.1977; Bull. EC 12-1977, point 2.3.114.

³ OJ L 94, 28.4.1970.

⁴ OJ C 151, 9.6.1983.

⁵ Bull. EC 6-1985, points 1.6.15 and 1.6.16.

⁶ Bull. EC 12-1984, point 1.3.1 *et seq.*

⁷ Bull. EC 12-1980, point 2.3.72.

⁸ COM(85) 337/2.

⁹ OJ L 356, 31.12.1977.

¹⁰ Bull. EC 7/8-1980, point 2.3.77.

have to be made between the chargeable event and the recovery of a debt). It will require the updating of a large number of amounts which will now have to be expressed in ECUs (as a result, these amounts will have to be adjusted in line with changes in Community consumer prices in ECUs).

ECSC operating budget

Draft 1986 budget

2.4.7. On 31 July the Commission drew up its aide-mémoire on the fixing of the ECSC levy rate and on the establishment of the ECSC operating budget for 1986.¹

As usual, before taking a decision on the levy rate, the Commission, will seek the opinion of Parliament and will transmit the draft to the ECSC Consultative Committee for information.

For 1986 the Commission is proposing that the levy rate on ECSC products remain at 0.31% and recommending two transfers from the general budget to finance measures connected with restructuring in the steel and coal industries (→ point 2.1.85).

Redeployment aids (Article 2(b) of the ECSC Treaty) rise to 150 million ECU (125 million ECU in 1985) while research aids (Article 55) total 60 million ECU (28.5 for steel research, 22 for coal research and 9.5 for social research).

Financial operations

ECSC

Financial report for 1984

2.4.8. On 8 August the Commission sent the other institutions the ECSC financial

report (borrowing and lending operations) for 1984,² containing the ECSC financial statements at 31 December 1984, on which the Court of Auditors has delivered its opinion.

Loans raised

2.4.9. In July the Commission made a DM 230 million public issue (the equivalent of 102.4 million ECU) carrying a coupon of 7%. It was issued for a term of 10 years at 99.75%. The Commission also made a number of private placings in German marks and ECUs for the equivalent of 28.3 million ECU.

Loans paid out

2.4.10. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission made loans in July and August amounting to 228.18 million ECU, broken down as follows:

Industrial loans

2.4.11. Industrial loans (Article 54) totalling 138.01 million ECU were paid out during the above period. They were granted to the following companies:

Federal Republic of Germany

Thyssen Stahl AG, Duisburg: construction of a new coke oven battery;

Industriekreditbank AG, Düsseldorf: project to promote the use of Community coal;

Westfalenbank AG, Bochum: project to promote the use of Community coal.

¹ COM(85) 429 final.

² COM(85) 430 final. *ECSC Report 1984*, Office for Official Publications of the European Communities, Luxembourg.

Overseas

Companhia do Rio Doce, Rio de Janeiro: operation of an iron ore mine at Carajas.

Subsidized housing

2.4.12. Loans for the building of subsidized housing amounted to 2.17 million ECU, of which 1.3 million ECU was for steelworkers and 870 000 ECU was for mineworkers.

Conversion loans

2.4.13. Conversion loans (Article 56) totalling 88 million ECU were granted in July and August to the following firms:

Federal Republic of Germany

Supraregional loans for small businesses: Bank für Gemeinwirtschaft AG, Frankfurt; Bayerische Vereinsbank AG, Munich; Commerzbank AG, Düsseldorf; Deutsche Bank AG, Düsseldorf; Westdeutsche Landesbank Girozentrale, Düsseldorf; Westdeutsche Genossenschaft — Zentralbank eG, Münster; Westdeutsche Landesbank Girozentrale, Münster.

Italy

Supraregional loans for small businesses: Finlombarda, Milan; Mediocredito Ligure, Genoa; Mediocredito Lombardo, Milan; Mediocredito Piemontese, Turin.

Luxembourg

Supraregional loan for small businesses: Société Nationale de Crédit et d'Investissement, Luxembourg.

United Kingdom

Supraregional loans for small businesses: Scottish Development Agency, Glasgow; National Westminster Bank, London.

Loan in the Chester area: Shotton Paper Company Ltd (plant at Shotton, Clwyd).

EEC-NCI**Loans raised***Adjustments to Community loan to France*

2.4.14. In July the Commission refinanced part of the syndicated loan raised in July 1983¹ by means of two public issues: the first for USD 350 million (the equivalent of 441.7 million ECU) for a term of five years at 99 3/4% with a coupon of 9 5/8% and the second for USD 240 million (302.9 million ECU) for a term of three years at 99.72% with a coupon of 9.25% (→ point 2.1.6). The two operations involve USD 590 million (744.6 million ECU) swapped for dollar at a variable rate. This follows the refinancing of the public issue of USD 1 800 million (2 272 million ECU) in May.²

¹ Bull. EC 7/8-1983, points 2.1.4 and 2.3.19.

² Bull. EC 5-1985, point 2.1.4.

5. Political and institutional matters

Political cooperation

2.5.1. On the occasion of the Council meeting on 22 and 23 July (→ point 2.5.16) the Foreign Ministers met within the political cooperation framework and adopted the following three statements on southern Africa, Afghanistan, and terrorism and hijacking:

Southern Africa

'The 10 Foreign Ministers express their profound concern over the continuing human suffering caused in South Africa by the apartheid system, which they strongly condemn.

They deplore all acts of violence. In South Africa, violence affects the black population in particular, and the Ten call for its renunciation by all concerned.

The most recent action by the South African authorities in declaring a state of emergency in certain areas of the country marks a sharp deterioration in the situation. It must be brought to an end and all those held under its provisions released.

The Ten urge the Government in Pretoria to embark with determination on a policy involving specific actions leading to the abolition of the apartheid system and the implementation of the rightful political and civil rights of the black population. In the absence of any significant progress within a reasonable period of time, the Ten reserve the right to reconsider their attitude.

In their view the first requirement is the rapid opening of a dialogue between the present South African Government and the genuine representatives of the non-white community, with the declared aim *inter alia* of giving proper representation to the black community at the national level.

To improve the prospects for such a dialogue, the Ten believe that the South African Government should:

- release immediately and unconditionally Mr Nelson Mandela;
- end detention without trial;
- abandon the practice of forced removals;
- remove discriminatory legislation, including the pass laws and the Group Areas Act.

The code of conduct for European firms with subsidiaries in South Africa has proved to be a

useful instrument for the emancipation of black workers in South Africa. In view of the important changes that have taken place in the field of labour relations there, the Ten consider that the adaptation and strengthening of the code which they are urgently to undertake should allow it to contribute more effectively to the abolition of the system of racial segregation in force in South Africa.

The Ten also note with deep concern the persistence of conflicts, the existence of serious threats to the sovereignty and economic development of States in southern Africa, and, as regards the independence of Namibia, continuing obstacles to the implementation of United Nations Security Council resolution 135. They earnestly hope that progress can be made through a process of dialogue involving all the parties concerned, with respect for the territorial integrity and sovereignty of all the countries in the area and the principle of non-interference in their internal affairs.'

Afghanistan

'The Ten express again their concern about the situation in Afghanistan, where fighting is increasing and repression is getting worse, infringing the fundamental rights of a people struggling to regain its independence and freedom. The Ten condemn the repeated bombings of the territory of Pakistan, which, by receiving 3 million refugees, is already bearing the heavy consequences of a foreign war.

The Ten, once again, call for the termination of the Soviet intervention, which is at the origin of the conflict. They consider that only a political settlement which conforms to the principles laid down by the international community in the resolutions of the General Assembly of the United Nations can re-establish peace.

They support to this end the mediation process by the Secretary-General, which they anticipate will see rapid progress in particular towards an agreement on a timetable for the withdrawal of Soviet troops.'

Terrorism and hijacking

'The Foreign Ministers emphasize their deep concern at the resurgence of terrorism, air piracy and hijacking, which offend against every norm of civilized behaviour, particularly through the outrage against innocent lives.

They have decided urgently to examine, within European political cooperation, and in collaboration with other Ministers responsible in this field,

the possibilities of establishing and maintaining strengthened international standards for airline and airport security with a view to the preparation of concrete recommendations in this area. This would include concerted action by the Ten in support of this objective in the ICAO. Furthermore, the Ten intend to pursue their action in third countries which are not party to the existing international conventions in order to encourage them to adhere to these conventions.

They took note with satisfaction of the conclusions of the Ministers for the Interior and Justice meeting in Rome on 20 and 21 June 1985.'

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2.5.2. On the occasion of the meeting in Helsinki to commemorate the 10th anniversary of the signing of the Helsinki Final Act, the Foreign Ministers met to discuss the situation in South Africa. On 1 August they issued the following statement to the press:

'The Ministers for Foreign Affairs of the European Community, together with the Ministers of Spain and Portugal, met on 31 July 1985 in order to examine the serious developments in the situation in South Africa. They took note of the debate and of the resolution of the Security Council.

They confirmed their common attitude as expressed in their declaration of 22 July 1985 and, in particular, their strong condemnation of the proclamation of a state of emergency in important parts of that country.

They also condemned the refusal of the South African Government to have talks with Bishop Tutu. They called upon that Government to open a dialogue with all the representatives of the black majority, including those who are in prison and whose liberation they requested on 22 July.

The Ministers exchanged information about the measures taken or envisaged with respect to South Africa.

They noted that all Member States apply certain restrictions in their relations with South Africa.

The Ministers asked the Political Committee to establish an inventory of these measures and to hold a full discussion of policies which the Ten might pursue and of measures to take in order to contribute to the abolition of apartheid.

They decided to summon their ambassadors to come for consultations to attend this meeting.

The Ministers asked the Political Committee to report to them at their next meeting.'

2.5.3. On 2 August the President of the Council released a statement on the Ministers' decision to send a special mission to South Africa with the following mandate:

'The Foreign Ministers of the Community, Portugal and Spain have decided to send the Foreign Ministers of Luxembourg, Italy and the Netherlands, together with a Member of the Commission, to Pretoria to discuss the recent serious developments in South Africa in the light of the concern expressed by the Ten in their recent statements.

The South Africa authorities have agreed to receive the delegation. The visit will take place when suitable preparations have been made.'¹

2.5.4. On 24 August the President of the Council issued the following press release on the mission of the three Foreign Ministers to South Africa:

'At their meeting in Helsinki on 31 July the Ministers for Foreign Affairs of the Ten, together with those of Spain and Portugal, discussed the policies to be pursued to help bring about the abolition of apartheid.

At that meeting the Ministers decided to send a mission to South Africa, comprising the Ministers for Foreign Affairs of Luxembourg, Italy and the Netherlands and a Member of the Commission, in order to make known their views and to discuss the latest serious developments in South Africa in the light of the anxieties expressed by the Ten in their recent declarations.

Affirming their support for the declaration of 21 August of the President of the Security Council on South Africa and having examined the text of the speech delivered by the President of South Africa on 15 August, the Ten, together with Spain and Portugal, note that this speech does not correspond to their expectations and contains references to intentions on which clarification is required from the South African Government.

They observe that the measures they called for in their declaration of 22 July have not been taken and the state of violence is continuing.

The Ten, together with Spain and Portugal, take the view that the Government of South Africa must now take concrete measures, and they stress the urgent need for opening a real dialogue without delay with the genuine representatives of the black population.

¹ Unofficial translation.

It is in this spirit that the three Foreign Ministers will undertake their mission to South Africa from 30 August to 1 September.

Apart from visiting the South African authorities, the Foreign Ministers intend to meet representative personalities from political, socio-economic, religious and cultural circles, whatever the community to which they belong. Their contacts will include both the official and the non-official opposition. They have, in particular, asked to be able to talk with Mr Nelson Mandela.

The mission of the three Foreign Ministers must be seen as a fresh effort on the part of the Ten and of Spain and Portugal to contribute towards the abolition of apartheid.

In the absence of any appreciable progress within a reasonable period, they reserve the right to reconsider their attitude.'

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2.5.5. In the course of discussions on the agreement to be negotiated between the Community and the Central American countries the Ministers agreed that the political part of the dialogue with these countries could be included in the Final Act of the ministerial conference to be held on 11 and 12 November ('San José II').

2.5.6. Lastly, in the Council's conclusions on action to be taken on institutional matters arising from the Milan European Council, the Foreign Ministers instructed the Political Committee to draw up, by 15 October, the text of a draft treaty on the basis, in particular, of the Franco-German and United Kingdom drafts on political cooperation with a view to a common foreign and security policy (→ point 1.1.1 *et seq.*).

2.5.7. In July Parliament adopted a resolution on the statements by the President of the Council on the outcome of the Milan European Council.¹ It advocated closer European political cooperation but rejected the methods envisaged, since they accentuate the intergovernmental character of such cooperation by providing for a special treaty and the setting-up of an *ad hoc* secretariat, which might come into conflict with other Community institutions.

During the July part-session Parliament also adopted resolutions on the political and economic aspects of European security in the context of European political cooperation, the situation in Chile, the situation of Renata Lesnik and her family and, lastly, the detention of Mr Kaufmann, a French journalist, Mr Seurat, a sociologist, and Mr Carton and Mr Fontaine, two French diplomats (→ point 2.5.15).¹

European policy and relations between the institutions

European policy

Intergovernmental conference

2.5.8. At its meeting on 22 and 23 July the Council, following consultations with Parliament and the Commission, delivered an opinion in favour of holding an intergovernmental conference with the task of amending the EEC Treaty and working out a new common foreign policy and security policy treaty. Accordingly, the conference was formally convened by the President (→ point 1.1.1 *et seq.*).

European Foundation

2.5.9. On 25 July the Council and the Representatives of the Governments of the Member States meeting within the Council adopted a resolution² on the European Foundation.³ In it they recommended that the third category of members of the Foundation's board should include a suitable number of representatives of the Council of Europe, the European Cultural Foundation in Amsterdam, the Cultural Centre in Delphi and other similar institutions and organizations whose activities are similar or

¹ OJ C 229, 9.9.1985.

² OJ C 199, 7.8.1985.

³ Bull. EC 3-1982, points 1.2.1 to 1.2.3.

identical to those of the European Foundation.

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2.5.10. On 10 July Parliament adopted four resolutions on the Milan European Council (→ point 2.5.12).¹

Institutions and organs of the Communities

Parliament²

Strasbourg: 8 to 12 July

2.5.11. The one highlight of Parliament's July part-session was the debate on the results of the Milan European Council. Other major topics debated were the preliminary draft budget for 1986 and agricultural trade between the Community and the United States.

As is the custom for an incoming Council President, Mr Jacques Santer presented the programme for Luxembourg's Presidency (→ point 3.4.1).

Milan European Council and convening of the intergovernmental conference

2.5.12. Commenting in the House on the Milan European Council,³ Mr Jacques Santer, the President of the Council, found a fair number of positive aspects but conceded that some of the conclusions could well have been given added point.

He welcomed the resolve shown at Milan to press on with the programme for achieving a true internal market by 1992, as expounded by the Commission in a White Paper⁴—a single market, which he saw as a *sine qua non* for the development of Community cooperation (on the pattern of the Eureka project) in the field of technology and, even more so, for a Community technology policy. After mentioning the need to develop the EMS as an essential component

in creating a true single market and stressing the importance of the Adonnino Committee's conclusions on a people's Europe,⁵ Mr Santer turned to political cooperation. Here, he pointed out that the various plans for refining the operation and principles—either by a treaty or by a solemn agreement—would already mean the acceptance of more binding procedures in a sphere which directly impinged on national sovereignty. He went on to point out that the essential thing was to ascertain whether these programmes and projects were possible under the rules and methods in force and said that the European Council had tried to make an initial response by discussing the following five points: improving the Council's decision-making process, expanding Parliament's role and the Commission's management powers extending the Community to new fields of activity and strengthening political cooperation. Though there was unanimous agreement on the need to improve rules and methods, there were differences on how this was to be done: by more effective use of the Treaties or by 'starting from scratch'. The convening of an intergovernmental conference to consider the reform of the institutions and the rules of procedure (→ point 1.1.1. *et seq.*), which would help in studying the terms of that option, should not, said Mr Santer, be taken to mean that there were two categories of Member States.

The next speaker, Mr Jacques Delors, President of the Commission, did not confine himself to an appraisal of the Milan European Council, but also spelt out the policy which the Commission had been and would be pursuing. He did not believe that the Community was split in two, with one

¹ OJ C 229, 9.9.1985.

² The complete texts of the resolutions adopted by Parliament are reproduced in OJ C 229, 9.9.1985, and the report of the proceedings is contained in OJ Annex 2-325. The political groups and nationalities of members speaking in the debates are shown in brackets after their names: the key to the abbreviations can be found in Bull. EC 7/8-1984, points 1.2.5 and 2.4.8 (footnote 1).

³ Bull. EC 6-1985, point 1.2.1 *et seq.*

⁴ Bull. EC 6-1985, point 1.3.1 *et seq.*

⁵ Bull. EC 6-1985, point 1.4.1 *et seq.*; Supplement 7/85 - Bull. EC.

seven-country bloc in favour of an inter-governmental conference. There were actually four basic concepts among the Ten. Some, loyal to the spirit of the Treaties, wished to go on with economic and social integration within the single institutions; others, though they might deny it, wanted no more than a free trade area with political cooperation on external issues. Between these two approaches, some wanted to limit economic and social integration and thus create, tacitly, a two-speed Europe. And yet others, finding the Community too bureaucratic, were attracted by progress through intergovernmental agreements. Faced with these different approaches, the Commission was proposing to push the Community forward on four fronts, with the emphasis on achieving a single market and introducing technological cooperation. The White Paper on achieving the internal market¹ constituted an integrated package and not some kind of jumble sale where everyone could buy what he wanted. Mr Delors highlighted the value of the Community dimension for the development of technology and the importance of talks, at Community level, with the Americans on what they were doing. Otherwise, they would come looking for our technology and transfer it to the United States, and there would be no reciprocity, since it was the weaker technological force that would suffer transfers of technology the wrong way round.

Referring to the procedure for the institutional review, Mr Delors said he was against holding two intergovernmental conferences, one on political cooperation, to which the Commission would not be invited, and the other on Treaty business, and intimated that in all probability the Commission would not attend the second either. In fact, he concluded, to hold two such conferences would already mark the disintegration of the Community. It was that very reason, said the President, that made him shun any policy outside the existing institutions, for certain Member States might then feel tempted to take refuge in political cooperation without facing up to the real problems of the Community. In conclusion, Mr Delors restated the Com-

mission's intention to take an active part in the intergovernmental conference while upholding three conditions and principles: the unity of the institutions; the single market, financial solidarity and Community preference as the foundation of economic and social integration; and a more democratic Community based on effectiveness.

Speaking in his dual capacity as Chairman and rapporteur of Parliament's Committee on Institutional Affairs, Mr Altiero Spinelli (*Com/I*), declared that the Milan European Council constituted a historic turning point because it had recognized that if things stayed as they were today, Europe could neither cope with the new problems nor sustain its achievements. Parliament hoped, he added, that there would be an inter-governmental conference and that it would be a success. He nevertheless believed that, failing unanimity, those Member States which wished to press ahead must contrive to do so. To those who feared the emergence of a two-speed Europe he said that at the moment Europe was moving nowhere fast. Regretting that the Milan European Council had disregarded the draft Treaty² adopted by Parliament, he called for a single, coherent and realistic Treaty, hammered out by the different political forces as this draft had been. He therefore asked for the text that emerged from the inter-governmental conference to be referred to Parliament and that any conflicts of view be dealt with by a conciliation committee.

Having applauded the fact that, for once, a European Council had not been concerned with money—'no sums were done, there was no bargaining and nobody got any money back'—Mr Lionel Jospin (*Soc/F*) was glad that this summit had resulted in a much-needed clarification of intentions and that matters of importance had, at last, been given their due. Mr Egon Klepsch (*EPP/D*) agreed that Milan had launched a new phase in the building of Europe even though the intergovernmental conference could have been assigned more specific tasks. The

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

² Bull. EC 2-1984, point 1.1.1 *et seq.*

main thing now was for the next European Council to be able to adopt decisions on the decision-making mechanisms, vest the House with wider powers and responsibilities and finally meet the need to provide Europe with the technological base and internal market which it so needed. This view was endorsed by Sir Fred Catherwood (*ED/UK*), who believed that the best solution to the problems of unemployment and public debt lay in achieving the internal market, and felt that the best way for Denmark and the United Kingdom to defend their vital interests was to belong to a sufficiently powerful Community that had an effective decision-making process. Milan was a first step in that direction.

Observing that Milan had enabled the Community to shake off its paralysis, Mr Giovanni Cervetti (*Com/I*) hoped that the intergovernmental conference would be a success and in particular would help in moving from the Europe of governments to the Europe of democracies. The most positive feature of Milan was that at least seven Member States had clearly said that they would no longer bow to the tyranny of the slowest, declared Mr Hans Nord (*Lib/NL*), adding that the concrete problems raised would remain academic unless the Community adopted the necessary institutional reforms. Mr Spyridon Plaskovitis (*Soc/GR*) affirmed that he was not against the idea of European Union, but voiced two objections: the first concerned the common foreign policy, and the second the economic and social imbalance in the Community, which must be corrected so as to ensure that the strongest Member States did not impose their will on the weaker or smaller ones. It should be possible to make a formal request for a two-speed Europe.

Besides praise and caution the House also heard some outspoken criticism of the manner and means employed by the European Council in Milan. Mr Christian de la Malène (*ERD/F*), for one, called this summit a tactical muddle which was futile in terms of procedure. Pleased with the push given to implementing the internal market, he urged that technological cooperation

should not be locked into a Community framework so as to afford it a certain flexibility. Deploring the constant amplification of the original notion of solidarity into a huge blurred mass, he attacked the method used to convene the intergovernmental conference: deciding by a majority to conclude unanimously tomorrow. In favour of a two-speed Europe for developing technology, he was against it on matters of basic political principles. Mr Marco Pannella (*NA/I*) condemned the utopia proposed by the governments and suggested that they sail through the narrow but navigable passage that the House had proposed. The Chairman of the Political Affairs Committee, Mr Roberto Formigoni (*EPP/I*), suggested that the peoples of Europe be consulted by referendum on the European Union they desired.

Mr Francis Wurtz (*Com/F*) spoke of a body blow to the sovereignty of Member States, while Mrs Else Hammerich (*Rainbow/DK*) took issue with the authoritarian method at Milan.

At the end of the debate the President of the Council, Mr Jacques Santer, again welcomed the results of Milan, which had started the institutional wheels turning. He also felt that Parliament should be involved in the proceedings of the intergovernmental conference.

After the debate the House adopted—by 186 votes to 73 with 21 abstentions—the report by Mr Altiero Spinelli (*Com/I*) on the convening of the intergovernmental conference as decided at Milan. The resolution insists that the House be accepted as an equal partner in the proceedings of the conference and, pursuant to an amendment by the EPP group, asks that, failing unanimity, the governments of those Member States in favour should proceed to formulate and adopt the Treaty of Union on the basis of Parliament's draft. Earlier, during the explanations of vote, Mr Fernand Herman (*EPP/B*) had announced his intention of voting for the report. Mr Jean-Thomas Nordman (*Lib/F*) and Mrs Jacqueline Thome-Patenôtre (*ERD/F*) had each said they would vote in favour although they felt the

issue had been badly presented. Sir Jack Stewart-Clark (ED/UK) declared that he would vote for it, whereas Mr George Cryer (Soc/UK) and Mr Thomas Megahy (Soc/UK) said they would vote against it.

Besides this resolution the House passed four others on the follow-up to the Milan European Council in respect of the internal market, new technologies, food aid and political cooperation.

2.5.13. Parliament gave opinions on the following Commission proposals:

(i) a Regulation on the entry in the accounts and terms of payment of the amounts of the import duties or export duties resulting from a customs debt (→ point 2.1.37);

(ii) a third amendment to the Regulation on the repayment or remission of import or export duties (→ point 2.1.38);

(iii) a memorandum on income taxation and equal treatment for men and women (→ point 2.1.92);

(iv) amendments to four Regulations concerning specific regional measures and a Regulation on their financing (→ point 2.1.104);

(v) an amendment to the Decision establishing a Community information system for the control and reduction of pollution caused by hydrocarbons discharged at sea (→ point 2.1.113);

(vi) a Regulation fixing, in the hops sector, the amount of aid to producers for the 1984 harvest (→ point 2.1.146);

(vii) a Regulation concerning the conclusion of a Trade and Economic Cooperation Agreement with the People's Republic of China (→ point 2.3.39).

2.5.14. Parliament also passed resolutions on the following subjects. *The measures needed to combat vandalism and violence in sport.* As an extension of its two June resolutions,¹ the House called for swift, coordinated preventive measures, with stronger policing and heavier penalties in

order to curb the violence marking certain sports events. The Commission was asked to prepare a proposal for a Directive that would ensure that these measures were uniformly applied in all the Member States.

International Youth Year. Parliament urged the Member States to implement an action programme for youth protection and youth rights, called on the Commission to mount an action programme to provide young people with information, education and the right to participate, and expressed the hope that an action programme would be launched at Community level on behalf of youth employment. The House also called on the youth of Europe to assist in overcoming national differences in Europe and to contribute to the further unification of Europe.

Second-generation regional development programmes. Parliament considered that these programmes must be only for priority regions, that some of them could be more precise and detailed as regards the future development of regional labour and that it was essential to carry out analyses relating to the future situation of economic sectors for which aid was requested. The House stressed the need for close cooperation between the central, regional and local authorities on the one hand and the Commission on the other, in formulating and implementing these programmes. Finally, it expressed the hope that the Commission would make more intensive use of its powers to monitor and investigate the utilization of resources.

The importance of water resources for the growth and development of certain regions of the Community. In view of the fact that the Council Directive of 15 July 1980 on the quality of water for human consumption² had still not been incorporated into national legislation in the Federal Republic of Germany, Italy, Luxembourg or the Netherlands, Parliament urged the Commission to take various measures, including the setting up of a data bank on water resources,

¹ OJ C 175, 15.7.1985; Bull. EC 6-1985, point 2.5.13.

² OJ L 129, 30.8.1980; Bull. EC 7/8-1980, point 2.1.68.

improvements in the water supply for agriculture and, in particular, the allocation of appropriations from the ERDF for projects and programmes for the introduction of water-saving production processes.

The beef and veal sector. Aware of the problems arising on this market from implementation of the new milk policy in Europe, the House asked the Commission to do all it could to dispose of stocks in the short term — particularly in the form of meat preserves as food aid — and to promote exports by introducing a more flexible intervention system. As regards the internal market, the House called for a boost to the sales of fresh meat and a review of certain import agreements.

Animal welfare policy. Parliament hoped that the Community would ratify the Council of Europe Conventions 87 (on animal welfare) and 65 (on animal welfare during transport). This should be followed by more specific legislation covering trade conditions (marketing and transport), farm conditions (housing, feeding, treatment/care), implementation and enforcement, and slaughterhouse conditions (handling and stunning).

Air traffic safety and aviation security. In the first of two resolutions Parliament stressed the need for active mutual support between democratic societies in resisting terrorism and the taking of hostages. The House wanted the general public to be informed even more fully and drew attention to the risk of terrorism being made to seem commonplace or even justified as a result of thoughtless reporting. The second resolution called for a series of technical measures, including the electronic checking of baggage and the ratification by all States involved in civil aviation of the Tokyo, Hague and Montreal Conventions on air piracy.

EEC-United States trade in agriculture. The House rejected the reasons for the American decision to impose exorbitantly high custom duties on imports of pasta products — which could spell ruin for the more disadvantaged Mediterranean areas of the

Community — as a protest against the preferential agreements concluded between the EEC and other Mediterranean countries. Condemning the proliferation of such measures taken unilaterally by the United States, Parliament called on the Commission to see that the multilateral framework of trade was upheld and to assess the compensation the Community was entitled to expect from the US following enlargement.

Trade with Taiwan. Believing that the Community could not neglect the economic importance of Taiwan despite having no diplomatic relations with it, Parliament urged the Commission to ensure that Taiwan was treated in a comparable manner to other Far Eastern trading partners where Community exports and imports were concerned.

The future development of economic and trade relations between the European Community and Hong Kong. Parliament called on the Commission and Council to take due account in trade policy of any possible problems arising from the transfer of sovereignty over Hong Kong in 1997, and in particular to react immediately and appropriately to any divergence from the arrangements specified in the Joint Declaration of December 1984 by the United Kingdom and the People's Republic of China.

The institution of a Solidarity with Third World Children Week. Aware of the need to secure the active support of public opinion for the policy of the Commission and the Member States on cooperation and aid for the Third World, Parliament called for such an event to be organized in all the Member States by means of an information campaign and various activities in schools.

Emergency measures to be taken to assist African countries threatened by famine. Parliament emphasized that these measures must be taken forthwith and urged the Community and the Member States to link emergency aid with medium-term development to enable the countries suffering from this scourge to achieve self-sufficiency in food supplies more rapidly.

2.5.15. In the fields of political cooperation and of human rights Parliament passed resolutions on the following subjects.

The political and economic aspects of European security in the context of political cooperation. Parliament called on the Council to promote, within the Western Alliance, a European security programme and develop a common position for the Member States on security and disarmament in various bodies (NATO, UN, the Stockholm Conference, etc.). The Council was urged to make strong representations to ensure that Europe's security interests might be protected, especially as regards the implications of the American SDI research project and the Geneva disarmament talks between the Soviet Union and the United States.

The situation in Chile. Although the mission of its intergroup on human rights had been accepted by the Chilean authorities, Parliament called on those authorities to end the state of emergency and urged the Chilean judicial authorities to deal with cases of arbitrary imprisonment.

The detention of four French hostages in Lebanon. Recalling its resolution of 25

October 1984 concerning Mr Jacques Abouchar,¹ Parliament strongly condemned the taking of hostages (in this case Mr Carton, Mr Fontaine, Mr Kaufmann and Mr Seurat) as an unacceptable form of blackmail and condemned this attack on the freedom of information (Mr Kaufmann being a journalist).

The situation of Renata Lesnik and her family. Recalling the fact that since 1981 Mrs Lesnik had tried in vain to bring over three members of her family from the Crimea to France, Parliament — on the strength of the Helsinki agreements, which recognize freedom of movement for persons and goods — urged the Soviet Government to authorize and help the Lesnik family to be reunited in the country of their choice.

Council

2.5.16. The Council held five meetings in July and August. 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 315, 26.11.1984; Bull. EC 10-1984, point 2.4.13.

Table 16 — Council meetings in July and August

Number, place and date of meeting	Subject	President	Commission	Main items of business
1021st Brussels 8 July	Economic and financial affairs	Mr Santer	Lord Cockfield Mr Christophersen	Budgetary discipline ¹ Second-quarter examination of economic situation ² Tax measures to encourage cooperation between undertakings from different Member States Twentieth VAT Directive ³ Approximation of VAT and excise duties — follow-up to European Council

Table 16 (continued)

Number, place and date of meeting	Subject	President	Commission	Main items of business
1022nd Brussels 15 and 16 July	Agriculture	Mr Fischbach	Mr Andriessen Mr Clinton Davis	Cereal prices ⁴ Pasta products ⁵ Green Paper on future of CAP Protection of forests General rules relating to system of minimum import prices for dried grapes Common measure to improve processing and marketing conditions in cattlefeed sector in Northern Ireland Dismantling of Netherlands positive compensatory amounts ⁴ Heat-treated milk ⁴ Fixing of maximum levels for pesticide residues
1023rd Brussels 22 and 23 July	Foreign affairs	Mr Poos	Mr Delors Mr Natali Mr Narjes Lord Cockfield Mr Christophersen Mr Cheysson Mr De Clercq Mr Ripa di Meana	Council conclusions on institutional matters arising from Milan European Council Operational improvements in institutions Strengthening of technological cooperation ⁷ Relations with Gulf States ⁸ Central America ⁸ Textiles: post-MFA III arrangements Trade relations with USA ⁵ Integrated Mediterranean programmes ⁹ Implementation of Mediterranean financial protocols Relations with EFTA countries ⁵ Pre-accession fisheries aid for Spain Change in tariff concessions for certain electronic products ¹⁰ Budgetary discipline ¹ Right of establishment in pharmacy ¹¹
1024th 1025th Brussels 25 July	Cancelled Industry/ steel	Mr Poos	Mr Narjes Mr De Clercq Mr Sutherland	Steel policy after 1985 ¹² Amendment of quota system Relations with USA on steel ⁵ Tariff concessions on certain electronic products ¹⁰ Conclusions of Research Ministers ¹³ Product liability ¹⁴

Commission

Number, place and date of meeting	Subject	President	Commission	Main items of business
1026th Brussels 6 August	Industry/ steel	Mr Goebbels	Mr Narjes Mr De Clercq	Relations with USA on steel ⁵

¹ Financing Community activities.

² Economic and monetary policy.

³ Financial institutions and taxation.

⁴ Agriculture.

⁵ Relations with industrialized countries.

⁶ Point 1.1.1 *et seq.*

⁷ Research and development.

⁸ Relations with other countries and regions.

⁹ Regional policy.

¹⁰ Commercial policy.

¹¹ Internal market and industrial affairs.

¹² Point 1.7.1 *et seq.*

¹³ Research and development.

¹⁴ Point 1.5.1.

Commission

2.5.17. Following the Council President's decision to convene an intergovernmental conference on the revision of the Treaty and the strengthening of political cooperation (→ point 1.1.1 *et seq.*), the Commission, determined to play an active part and take all the steps needed to ensure a successful outcome for this new development, devoted part of its work to preparing for the conference.

In addition, Mr Delors and Mr Narjes attended the first session of the conference on the Eureka project convened by the French Government.

Decision, communications and proposals

2.5.18. The Commission sent the Community institutions and other interested parties at Community level a Green Paper entitled 'Perspectives for the common agricultural policy' (→ point 1.1.1 *et seq.*) and invited their comments. The Commission will take account of the views expressed and present its conclusions towards the end of the year.

A proposal for a Council Regulation on the arrangements in the sugar sector for the next five marketing years (from 1986) was

sent to the Council, together with proposals on the new rules for starch.

In response to the request made at the Fontainebleau European Council in June 1984 for 'a general system for ensuring the equivalence of university diplomas in order to bring about the effective freedom of establishment within the Community', the Commission adopted a proposal for a Council Directive setting out a new approach for providing an immediate and rapid response to the expectations of nationals of Community countries who hold higher education diplomas and wish to exercise their professional activities in a Member State other than the one in which they acquired their professional training (→ point 1.4.1).

The Commission adopted a draft resolution of the Council and of the Representatives of the Governments of the Member States meeting within the Council on the introduction of appropriate signboards at the Community's external frontiers and internal borders.

A communication, accompanied by a proposal for a Decision, on a new action programme for strengthening cooperation between industry and the universities on the question of training for the new technologies (Comett) was sent to the Council. (→ point 1.6.1 *et seq.*)

The Commission presented to the Council its position on the future of the European steel industry after 1985 with a view to avoiding dangerous uncertainty and speculation on the steel market when the measures governing steel production expire on 31 December (→ point 1.7.1 *et seq.*).

The Commission asked the Council for negotiating directives for the adaptation, consequent upon enlargement, of the trade aspect of the cooperation or association agreements between the Community and the southern Mediterranean countries (→ point 1.3.1 *et seq.*).

The proposals on the generalized tariff preferences scheme for 1986 were presented to the Council.

Court of Justice

Analysis of judgments delivered between 1 April and 30 June 1985

Free movement of goods

2.5.19. In *Commission v France*¹ the Court had to consider the compatibility with Article 30 EEC of a systematically unfavourable attitude to postal franking machines manufactured in another Member State adopted by the French postal authorities when dealing with applications for the approval necessary before the machines can be marketed. The Court found that to create considerable delay in replying to applications for approval, or to refuse to give approval on the grounds of various technical defects which were not explained in detail or which proved to be false, could constitute a measure prohibited by Article 30 if this represented an administrative practice with a certain degree of consistency and generality. It is particularly interesting that in order to assess this degree of generality the Court accepted that where only a few undertakings were operating on the market in question the attitude adopted by a national administration towards a single

undertaking might constitute a measure incompatible with Article 30.

2.5.20. In another *Commission v France* case² the Court held that the French Republic had infringed Article 30 by depriving press undertakings of the benefit of certain tax advantages in respect of publications which they print in other Member States. The tax provision, introduced in 1980, was a measure having an effect equivalent to a quantitative restriction on imports: imported printed matter constituted goods placed at a disadvantage as compared with printed matter produced in France.

Freedom of movement and social provisions

2.5.21. In *Deak v Office National de l'Emploi*³ the Hungarian son of an Italian resident in Belgium claimed the interim allowance payable in Belgium to unemployed persons waiting to begin their higher education. On a reference from a Belgian court, the Court of Justice held that such allowances were 'social advantages' for the purposes of Article 7(2) of Council Regulation No 1612/68 on freedom of movement for workers within the Community⁴ and must therefore be given to Community workers on the same basis as to national workers; but nationals of non-member countries could not found such a claim on Council Regulation No 1408/71 on the application of social security schemes to employed persons and their families moving within the Community.⁵

Agriculture

2.5.22. In *Criminal proceedings against Roelstraete*⁶ the Court confirmed and clarified its previous findings on the fixing by

¹ Case 21/84.

² Case 18/84.

³ Case 94/84.

⁴ OJ L 257, 19.10.1968.

⁵ OJ L 149, 5.7.1971.

⁶ Case 116/84.

Member States of a maximum profit margin to be charged by retailers selling agricultural products to the consumer; such a margin formed a major factor in a national price control scheme. The Court held that legislation of a Member State which was intended to control retail prices of beef, veal and pigmeat, and which prohibited retailers from selling their products to consumers at a price exceeding the purchase price charged at the wholesale stage, plus a maximum gross profit margin covering *inter alia* any import costs which may be borne by the retailer, was contrary to Articles 30 to 36 EEC and to the regulations establishing a common organization of the market in those products. This was also the case where the maximum gross profit margin incorporated the supply costs borne by the retailer and, as a result, in certain regions the distribution network for beef, veal and pigmeat was affected.

Community law did not, however, prohibit the fixing of a gross profit margin which incorporated, in addition to the retailer's net profit, only the marketing costs borne by the retailer at the stage of sale to the consumer, provided that the margin was not fixed at an arbitrary level and allowed retailers fair remuneration for their activity.

Taxation

2.5.23. In a second case involving the firm *Gaston Schul*¹ the Court clarified the method of calculating the VAT payable on the import by a private person of a second-hand article which has already been taxed in the country of export. The basis of assessment was the price of the article less the residual VAT charged by the Member State of export and still contained in that price, or, in the absence of such a price, the customs value.

This judgment supplements the judgment delivered in 1982 in the first *Gaston Schul* case,² in which the Court laid down certain rules for the interpretation of Article 95 EEC in order to ensure the neutrality of the taxation of second-hand articles bought from private persons.

2.5.23a. In *Berkholz v Finanzamt Hamburg-Mitte-Altstadt*,³ concerning the concept of 'fixed establishment' for purposes of the sixth VAT Directive,⁴ the Court had to rule on a case of gambling machines on board a ferry boat; it held that an establishment qualified as a fixed establishment within the meaning of the Directive only if it required a permanent combination of human and technical resources necessary for the provision of the services in question and if it was impractical to connect those services with the place where the supplier had established his business.

Transport

2.5.24. The judgment in *Parliament v Council*,⁵ in which the European Parliament, supported by the Commission, had brought an action against the Council, supported by the Netherlands, is interesting from an institutional and procedural standpoint and also for the light which it casts on the common transport policy. As regards its institutional implications, the judgment confirms the rights of Parliament to bring an action on the basis of Article 175 against another institution, notably the Council, for failure to exercise its legislative function in infringement of the Treaty. The case is also the first successful action brought on the basis of Article 175, and contains a useful example of what constitutes an invitation to act and what does not constitute a definition of position, even if the Court did not make any theoretical analysis of the problems in this area. As regards transport, the Court accepted the case made by Parliament and the Commission to the extent that the Council was found to be in infringement of the Treaty in failing to ensure the freedom to provide services in the field of international inland transport, and the same

¹ Case 47/84 *Staatssecretaris van Financiën v Gaston Schul*.

² Case 15/81 *Gaston Schul v Inspecteur der Invoerrechten en Accijnzen* (1982) ECR 1409.

³ Case 168/84.

⁴ OJ L 145, 13.6.1977.

⁵ Case 13/83; Bull. EC 5-1985, point 1.1.1 *et seq.*

freedom as regards the conditions under which non-resident carriers may operate inland transport services within a Member State (*cabotage*).

ECSC

2.5.25. *Queenborough Rolling Mill v Commission*¹ established an important rule concerning the level of fines for breaches of the quota system introduced by Commission Decision No 1831/81/ECSC.² The applicant claimed that the consequences of a fine of 75 ECU for each tonne produced in breach of the steel quota system were proportionately far more severe for a re-roller than for an integrated undertaking. The Court, however, found that this fact could not be regarded as a mitigating circumstance; nor did it constitute a special situation affecting the undertaking individually; the fine could not be reduced. The Court said that the quota system would be

weakened considerably if the Commission had to determine each time to which category of undertakings a company belonged and the differences which distinguished them.

Appointments

2.5.26. On 16 July the Representatives of the Governments of the Member States decided to appoint Mr Fernand Schockweiler as Judge from 7 October 1985 to 6 October 1991 and Mr Jean Mischo as Advocate-General from 1 January 1986 to 6 October 1991.³

Mr Schockweiler and Mr Mischo will replace Mr Pierre Pescatore and Mr Pieter Verloren van Themaat respectively.

¹ Case 64/84.

² OJ L 180, 1.7.1981.

³ OJ L 191, 23.7.1985.

2.5.27. New cases

Case	Subject	Basis
ECSC—Steel		
207/85 <i>Nuovo Campsider v Commission</i> ¹	Annulment of the individual Commission Decision of 24 May 1985 refusing to take any action with a view to controlling the market in ferrous scrap	Article 33 ECSC
209/85 <i>Cockerill-Sambre v Commission</i> ¹	Annulment of the individual Commission Decision of 7 June 1985 adjusting production quotas for the first quarter of 1985	Article 33 ECSC
210/85 <i>Cockerill-Sambre v Commission</i> ¹	Annulment of the individual Commission Decision of 17 June 1985 notifying the applicant of production quotas granted for the third quarter of 1985	Article 33 ECSC
212/85 <i>Italy v Commission</i> ²	Commission's failure to act on a request by Italy to take the necessary measures to maintain the traditional pattern of deliveries of steel products in accordance with Article 15B of Decision 234/84/ECSC	Article 35 ECSC

Case	Subject	Basis
216/85 Alphasteel v Commission ²	Annulment of the individual Commission Decision of 21 June 1985 adjusting production quotas granted for the second quarter of 1985	Article 33 ECSC
217/85 Alphasteel v Commission ²	Annulment of the individual Commission Decision of 17 June 1985 notifying the applicant of production quotas granted for the third quarter of 1985	Article 33 ECSC
226/85 Dillinger Hüttenwerke v Commission	Annulment of the individual Commission Decision of 18 June 1985 refusing to adjust the production quotas granted to the applicant for the periods from the first quarter of 1984 to the second quarter of 1985	Article 33 ECSC
Free movement of goods		
248/85 Deutsche Lancôme v Flacon Discount Parfümerie ³	Where a cosmetic preparation contains a substance which in the Member State of manufacture is properly referred to on the packaging as vitamin F, may it be sold in another Member State where the reference to the substance in question infringes domestic legislation?	Article 177 EEC
Customs union		
183/85 Itzehoe v H.J. Repenning	What is the transaction value of goods bought free of defects which deteriorate before the relevant valuation date?	Article 177 EEC
203/85 Nicolet Instrument v HZA Frankfurt-am-Main — Flughafen ¹	Validity of Commission Decision 82/586/EEC finding that the apparatus described as a 'Nicolet—high-speed signal averager, model 1174, with accessories' may not be imported free of customs duty	Article 177 EEC
222/85 HZA Osnabrück v Kleiderwerke Hela Lampe ⁴	Interpretation of CCT heading No 61.01 as regards the classification of jeans	Article 177 EEC
Taxation		
193/85 Cooperativa Co-Frutta v Amministrazione delle Finanze dello Stato	Does a consumption tax which applies only to imported products because there is no domestic production of the product in question (in this case bananas) constitute a charge having an effect equivalent to a customs duty or an internal tax intended to protect home-grown fruit?	Article 177 EEC
Competition		
211/85 France v Commission ¹	Partial annulment of the corrigendum published on 26 April 1985 to Commission Regulation No 2349/84 on the application of Article 85(3) of the Treaty to certain categories of patent licensing agreements	Article 173 EEC

Case	Subject	Basis
253/85 Chairman of the District of Arcachon, La Teste, Gujan Mestras and Le Teich v Société B.C. and Michel Leclerc ³	Interpretation of Articles 37, 52, 59, 86 and 90 EEC in relation to the Act of 29 December 1904 empowering municipal authorities to grant exclusive franchises to undertakers	Article 177 EEC
State aids		
223/85 Rijn-Schelde-Verolme Machinefabrieken en Scheepswerven v Commission ⁵	Annulment of the Commission Decision of 19 December 1984 concerning aid granted by the Netherlands Government to an engineering company, declaring the aid incompatible with the common market	Article 173 EEC
259/85 France v Commission	Annulment of the Commission Decision of 5 June 1985 concerning an aid scheme in favour of the textile and clothing industry in France funded by means of parafiscal charges	Article 173 EEC
Social security		
197/85 Office National des Pensions pour Travailleurs Salariés (ONPTS) v Stefanutti	Compatibility with Community law of Belgian rules for the prevention of overlapping benefits which refuse a survivor's pension to the widow of a worker of Italian nationality because she is entitled to a personal invalidity pension in Italy	Article 177 EEC
Social policy		
192/85 Newstead v Department of Transport and HM Treasury	Is a contribution to provision of a survivor's pension which is required of male civil servants but not of certain female civil servants compatible with Article 119 EEC and Council Directives 75/117/EEC and 76/207/EEC, and, if not, do those provisions have direct effect?	Article 177 EEC
237/85 Rummler v Dato-Druck ⁶	<ol style="list-style-type: none"> 1. Does it follow from the equal pay Directive, 75/117/EEC, that in job classification systems no distinction may be made as to the extent to which a job makes demands or requires an effort of the muscles, or whether the work is heavy or not? 2. In order to assess the extent to which a job makes demands or requires an effort of the muscles, and whether it is heavy or not, must these questions be considered in relation to female workers? 3. Does a system of job classification which does not make this clear satisfy the requirements of the Directive? 	Article 177 EEC
Agriculture		
182/85 Lütticke v Denkvit Futtermittel	Application by analogy to the aid scheme laid down in Regulation No 1725/74 of the quality conditions required for intervention storage of skimmed-milk powder laid down by Regulation No 625/78	Article 177 EEC

Case	Subject	Basis
201 and 202/85 1. Kipgen, née Klensch, a widow, trading under the name Laiterie Ekabé, and Others and 2. Exploitation Agricole de Niederterhaff v Secrétaire d'État à l'Agriculture et à la Viticulture, with the intervention of Association Agricole Luxlait and of Laiterie Ekabé ⁷	Interpretation of Article 40 EEC and Council Regulations Nos 804/68 and 857/84 with regard to a Member State's right to choose the reference year for the determination of the reference quantity for milk allocated	Article 177 EEC
215/85 Bundesanstalt für landwirtschaftliche Marktordnung v Raiffeisen Hauptgenossenschaft ⁸	Interpretation of the expression 'hardening temperature' and possibly the validity of Commission Regulation No 1570/77, since amended by Regulation No 2160/84	Article 177 EEC
218/85 Comité Economique Agricole Régional Fruits et Légumes de Bretagne v Le Campion ²	Is the extension to all producers of a Member State or region of rules laid down by an agricultural committee established in order to harmonize the production, marketing and price of a product and to implement common rules for putting it on the market compatible with Community law?	Article 177 EEC
234/85 Criminal proceedings against Keller ⁴	Validity of the rules on the information to be carried on labels laid down in Council Regulation No 355/79 and Commission Regulation No 997/81 on the description and presentation of wines and grape musts	Article 177 EEC
238/85 Gebrüder Metelmann v Bundesanstalt für landwirtschaftliche Marktordnung ⁹	1. Must a preliminary ruling be sought from the Court of Justice under the third paragraph of Article 177 EEC where the Court has already ruled on similar but not identical cases? 2. Validity of Article 22(4) of Commission Regulation No 262/79	Article 177 EEC
244 and 245/85 Cerealmangimi and Others v Commission ¹⁰	Annulment of the Commission Decision of 22 March 1985 finding that remission of MCAs is not justified in a particular case (REM 40/84)	Article 173 EEC
246/85 Associazione Nazionale degli Industriali delle Conserve Alimentari Vegetali — Anicav, and Elvea v Council	Annulment of Article 2 of Regulation No 1320/85 on temporary measures for production aid to processed tomato products, which provides for suspension of aid in certain cases	Article 173 EEC
249/85 Albako Margarinefabrik Maria von der Linde v Bundesanstalt für landwirtschaftliche Marktordnung ³	Is the fourth paragraph of Article 189 EEC to be interpreted as meaning that a Commission decision intended to promote the sale of butter precludes a court of the Federal Republic of Germany from restraining conduct contrary to German competition law on the part of an undertaking which, although not a direct addressee of the decision, is involved in its implementation?	Article 177 EEC
256/85 Italy v Commission	Annulment of the Commission Decision of 7 June 1985 amending the Decision of 15 November 1982 fixing the standard amounts to be used in financing net losses incurred by	

Case	Subject	Basis
<p>Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters</p> <p>198/85 Carron v Federal Republic of Germany, in the person of the Minister for Transport⁷</p>	<p>intervention agencies in respect of oils and fats, cereals, rice, sugar, beef, milk and milk products and raw tobacco</p> <p>Is the procedure for the giving of an address for service and the imposition of a penalty for failure to give such an address governed by the law of the State in which enforcement is sought, and, if not, what rules are applicable?</p>	<p>Article 173 EEC</p>
<p>Commercial policy</p> <p>250/85 Brother Industries v Council and Commission¹⁰</p>	<p>1. Annulment of Council Regulation No 1698/85 imposing a definitive anti-dumping duty on imports of electronic typewriters originating in Japan, in so far as it applies to the applicant</p> <p>2. Award of damages for flagrant infringement of the anti-dumping regulation and the general principles of Community law</p>	<p>Articles 173 and 215 EEC</p>
<p>260/85 Tokyo Electric v Council</p>	<p>Annulment of Council Regulation No 1698/85 imposing a definitive anti-dumping duty on imports of electronic typewriters originating in Japan, in so far as it applies to the applicant</p>	<p>Article 173 EEC</p>
<p>Administrative questions</p> <p>220/85 Fadex v Commission¹⁰</p>	<p>Failure by the Commission to pay a bill presented for work done</p>	<p>Article 181 EEC</p>
<p>264/85 Kenneth Norman Adams and Others v Commission</p>	<p>Annulment of the Commission decisions notified to the applicants by the Director of the JET Joint Undertaking, and compensation for the losses they have suffered as a result of the unlawful recruitment procedures applied to them</p>	<p>Article 152 Euratom</p>
<p>Infringements</p> <p>200/85 Commission v Italy</p>	<p>Article 95 EEC: differential rates of VAT levied on diesel-engined motor vehicles on the basis of the cylinder capacity, with the higher rate being applied exclusively to motor vehicles imported particularly from other Member States</p>	<p>Article 169 EEC</p>
<p>208/85 Commission v Germany²</p> <p>213/85 Commission v Netherlands¹¹</p>	<p>Failure to implement Council Directive 79/831/EEC on dangerous substances</p> <p>Failure to comply with the Decision of 13 February 1985 on the preferential tariff for natural gas for horticulturalists in the Netherlands</p>	<p>Article 169 EEC</p> <p>Second subparagraph of Article 93(2) EEC</p>
<p>219/85 Commission v Belgium⁸</p>	<p>Incomplete transposal of Council Directive 79/831/EEC on dangerous substances</p>	<p>Article 169 EEC</p>

Case	Subject	Basis
221/85 Commission v Belgium ¹²	Article 52 EEC: provision that reimbursement may be made in respect of services in the field of clinical biology only if they are carried out in laboratories operated by a legal person governed by private law whose members and directors are natural persons authorized to carry out medical analyses	Article 169 EEC
224/85 Commission v France ¹²	Incorrect transposal of Council Directive 79/831/EEC on dangerous substances	Article 169 EEC
225/85 Commission v Italy	Failure to comply with Article 48(4) EEC and Articles 4 and 7(1) of Council Regulation No 1612/68, by requiring Italian nationality as a condition for establishment in a permanent post as a researcher with the National Research Council	Article 169 EEC
227/85 Commission v Belgium ¹²	Article 171 EEC: failure to comply with the judgment of the Court of Justice in Case 68/81, which concerned failure to implement Council Directive 78/176/EEC on waste from the titanium dioxide industry	Article 169 EEC
228/85 Commission v Belgium ¹²	Article 171 EEC: failure to comply with the judgment of the Court of Justice in Case 69/81, which concerned failure to implement Council Directive 75/442/EEC on waste	Article 169 EEC
229/85 Commission v Belgium ¹²	Article 171 EEC: failure to comply with the judgment of the Court of Justice in Case 70/81, which concerned failure to implement Council Directive 75/439/EEC on the disposal of waste oils	Article 169 EEC
230/85 Commission v Belgium ¹²	Article 171 EEC: failure to comply with the judgment of the Court of Justice in Case 71/81, which concerned failure to implement Council Directive 76/403/EEC on the elimination of polychlorinated biphenyls and polychlorinated terphenyls	Article 169 EEC
231/85 Commission v France ¹²	Failure to implement Council Directives 81/957/EEC and 82/232/EEC on dangerous substances	Article 169 EEC
235/85 Commission v Netherlands ¹³	Failure to comply with the sixth VAT Directive, 77/388/EEC, by failing to subject to VAT the legal activities of notaries and sheriff's officers	Article 169 EEC
236/85 Commission v Netherlands ¹³	Incorrect transposal of Council Directive 79/409/EEC on the conservation of wild birds	Article 169 EEC
239/85 Commission v Belgium ¹²	Incomplete transposal of Council Directive 78/319/EEC on toxic and dangerous waste	Article 169 EEC
240/85 Commission v Ireland	Incorrect transposal of Council Directive 79/409/EEC on the conservation of wild birds	Article 169 EEC

Case	Subject	Basis
241/85 Commission v Greece	Articles 3(1) and 6 of the Lomé Convention: ban on imports of bananas originating in the ACP countries	Article 169 EEC
247/85 Commission v Belgium ¹³	Incorrect transposal of Council Directive 79/409/EEC on the conservation of wild birds	Article 169 EEC
251/85 Commission v Ireland ⁵	Article 95 EEC: differential taxation on wine and made wine	Article 169 EEC
252/85 Commission v France ¹⁰	Incorrect transposal of Council Directive 79/409/EEC on the conservation of wild birds	Article 169 EEC
261/85 Commission v United Kingdom	Article 36 EEC: ban on the import of unfrozen pasteurized milk and cream, and ban on the use of milk produced in Northern Ireland in the manufacture of certain milk products in Great Britain and vice versa	Article 169 EEC
262/85 Commission v Italy ¹⁰	Incorrect transposal of Council Directive 79/409/EEC on the conservation of wild birds	Article 169 EEC
263/85 Commission v Italy	Article 30 <i>et seq.</i> EEC: adoption and application of Section 12 of Italian Act No 151 of 10 April 1985 on the mechanism for allocating contributions for the purchase of buses and trams to public transport bodies and companies	Article 169 EEC

Disputes between the Community and its staff

v Commission:

- 205/85 — Spina v Commission¹²
- 206/85 — Beiten v Commission¹²
- 214/85 — Gherardi Dandolo v Commission¹²
- 232/85 — Becker v Commission¹²
- 233/85 — Bonino v Commission¹²
- 242/85 — Geist v Commission¹²

v Court of Auditors:

- 204/85 — Strogili v Court of Auditors²
- 255/85 — Pressler-Hoefv v Court of Auditors

¹ OJ C 195, 3.8.1985.
² OJ C 200, 8.8.1985.
³ OJ C 230, 10.9.1985.
⁴ OJ C 207, 17.8.1985.
⁵ OJ C 242, 24.9.1985.
⁶ OJ C 219, 29.8.1985.
⁷ OJ C 187, 27.7.1985.
⁸ OJ C 202, 10.8.1985.
⁹ OJ C 216, 27.8.1985.
¹⁰ OJ C 235, 14.9.1985.
¹¹ OJ C 210, 21.8.1985.
¹² OJ C 226, 6.9.1985.
¹³ OJ C 240, 21.9.1985.

2.5.28. Judgments

Date and case	Held
<p>ECSC—Steel</p>	
<p>10.7.1985, 27/84 — <i>Wirtschaftsvereinigung Eisen- und Stahlindustrie v Commission</i>¹</p>	<p>The Commission's decision addressed to the applicant by letter of 13 January 1984 is declared void in so far as it refuses to communicate figures for the quota adjustments granted to each of the undertakings not belonging to the Eurofer confederation pursuant to Articles 10 and 14C of the relevant general Decisions, Decisions Nos 2177/83 and 234/84</p>
<p>Free movement of goods</p>	
<p>9.7.1985, 19/84 — <i>Pharmon v Hoechst</i>¹</p>	<p>1. Articles 30 and 36 EEC do not preclude the application of a law of a Member State which gives the proprietor of a patent the right to prevent the marketing in that State of a product which has been manufactured in another Member State by the holder of a compulsory licence granted under a parallel patent held by the same proprietor 2. In that respect, it makes no difference whether a prohibition on exportation is attached to the compulsory licence, whether that licence fixes royalties payable to the patentee or whether the patentee has accepted or refused such royalties</p>
<p>11.7.1985, 60 and 61/84 — <i>Cinéthèque and Others v Fédération Nationale des Cinémas Français</i>²</p>	<p>Article 30 EEC does not apply to national legislation which regulates the distribution of cinematographic works by imposing an interval between one mode of distributing such works and another by prohibiting their simultaneous exploitation in cinemas and in video cassette form for a limited period if such a prohibition applies to domestically produced and imported cassettes alike and any barriers to intra-Community trade to which its implementation may give rise do not exceed what is necessary for ensuring that the exploitation in cinemas of cinematographic works of all origins maintains priority over other means of distribution</p>
<p>2.7.1985, 90/84 — <i>Finsider v Commission</i>¹</p>	<p>Ordered removed from the Court Register</p>
<p>Customs union</p>	
<p>4.7.1985, 51/84 — <i>Land Niedersachsen v HZA Friedrichshafen</i>³</p>	<p>The terms 'scientific instruments and apparatus, which qualify for duty-free admission', contained in Article 3(2) of Council Regulation No 1798/75, must be interpreted as meaning that accessories may be imported free of customs duties only if they are intended for instruments or apparatus</p>

Date and case	Held
<p>4.7.1985, 167/84 — HZA Bremen-Freihafen v Drünert³</p>	<p>which themselves benefit or have benefited from duty-free admission. Where, however, an accessory is intended to be incorporated into an instrument or apparatus constructed in the Community, duty-free admission cannot be granted</p> <p>Interpretation of CCT headings Nos 44.05 and 44.13 as regards planed wood and balsa wood</p>
<p>Taxation</p> <p>4.7.1985, 168/84 — Berkholz v Finanzamt Hamburg-Mitte-Altstadt³</p>	<p>1. Article 9(1) of the sixth VAT Directive must be interpreted as meaning that facilities for conducting a business such as the operation of gambling machines on board a ship sailing on the high seas outside the territory of the country may be regarded as a fixed establishment within the meaning of that provision only if the establishment requires a permanent combination of human and technical resources necessary for the provision of the services in question and if it is impractical to connect those services with the place the supplier has established his business</p> <p>2. Article 15(8) of the Directive must be interpreted as meaning that the exemption for which it provides does not apply to the operation of gambling machines installed on board the sea-going vessels referred to in that Article</p>
<p>Competition</p> <p>3.7.1985, 243/83 — Binon v Agence et Messageries de la Presse⁴</p>	<p>Article 85(1) EEC must be interpreted as applying to a set of agreements between an agency which specializes in the distribution of newspapers and periodicals in one Member State, the majority of the publishers of newspapers and periodicals who are established in that State and a number of publishers established in other Member States, if the effect of that set of agreements is that in practice the approval of retail sales outlets is a matter for that agency or a body set up it within the framework of the said agreements</p> <p>The requirement, in the framework of a selective distribution system for newspapers and periodicals which affects trade between Member States, that imposed prices must be respected renders that system incompatible with Article 85(1). However, the Commission may, in considering an application for exemption under Article 85(3), examine whether, in a particular case, such an element of a distribution system may be justified.</p>
<p>11.7.1985, 299/83 — Saint Herblain Distribution and Others v Syndicat des Libraires de Loire-Océan²</p>	<p>As Community law stands, the second paragraph of Article 5 EEC, in conjunction with Article 3(f) and Article 85, does not prohibit Member States from enacting legislation whereby the retail price of books must be fixed by the publisher or by</p>

Date and case	Held
<p>11.7.1985, 42/84 — Remia and Others v Commission²</p>	<p>the importer and is binding on all retailers, provided that such legislation is consonant with the other specific provisions of the Treaty, in particular those relating to the free movement of goods</p> <p>Application dismissed (Article 85 EEC, seeking annulment of the Commission Decision of 12 December 1983)</p>
<p>Social policy</p>	
<p>11.7.1985, 105/84 — Foreningen af Arbejdsledere i Danmark, representing Mikkelsen v Danmols Inventar²</p>	<p>1. The transferor of an undertaking is required to meet his obligations towards employees of the undertaking only where they continue to work as employees of the undertaking after the transfer</p> <p>2. The expression 'employee' within the meaning of Directive 77/187/EEC must be interpreted in accordance with the meaning given to it under the domestic law of the Member States</p>
<p>10.7.1985, 36/85 — Bonincontro v Landeshauptstadt Stuttgart</p>	<p>Ordered removed from the Court Register</p>
<p>Social security</p>	
<p>4.7.1985, 104/84-Kromhout v Raad van Arbeid⁵</p>	<p>The first sentence of Article 10(1)(a) of Council Regulation No 574/72 applies where a child in respect of whom family benefits or family allowances are due is, as a member of the family of one of the recipients of such benefits or allowances, a person covered by the Community legislation on social security for employed persons</p>
<p>11.7.1985, 261/84 — Scaletta v Union Nationale des Fédérations Mutualistes Neutres de Belgique²</p>	<p>1. No particular form is prescribed for the notification referred to in Article 59 of Council Regulation No 574/72 laying down the procedure for implementing Regulation No 1408/71, and that notification may be made at any time</p> <p>2. A person who fails to make the notification referred to in Article 59 of Council Regulation No 574/72 laying down the procedure for implementing Regulation No 1408/71, or who does so belatedly, does not lose the right to the benefits relating to the period between the transfer of his residence and the date on which the social security institution concerned is informed of the transfer, provided that he continues to satisfy the conditions for the grant of benefits during that period</p>
<p>Agriculture</p>	
<p>3.7.1985, 20/84 — 1. De Jong Verenigde and 2. Coöperatieve Melkprodukten Bedrijven 'Domo-Bedum' v Voedsievoorzienings In- en Verkoopbureau⁴</p>	<p>1. Article 18(2) of Commission Regulation No 232/75 must be interpreted as meaning that the processing securities given by a tenderer for quantities of butter sold by tender under the</p>

Date and case	Held
	<p>scheme for selling butter at reduced prices established by that Regulation are not released if the control copies certifying that the butter has been processed cannot be submitted because a subsequent buyer of the butter has used it for purposes other than the required processing</p> <p>2. The same applies if the tenderer, on supplying those quantities of butter to a buyer who undertook to comply with the conditions regarding processing, relied on the fact that the control copies for the quantities previously supplied to the same buyer, whose contents were later to prove inaccurate, had been issued in due time by the authorities responsible for controlling the processing</p>
3.7.1985, 39/84 — Maizena v HZA Hamburg-Jonas ⁴	<p>Consideration of the first question raised has revealed no factor of such a kind as to affect the validity of Commission Regulation No 3013/80</p>
9.7.1985, 179/84 — Bozzeti v Invernizzi and Ministero del Tesoro ²	<p>1. The nature of the co-responsibility levy introduced by Council Regulation No 1079/77 in respect of which further provisions were adopted in Commission Regulation No 1822/77, must be determined, from the point of Community law, in the light of the economic function which it fulfills in so far as it forms part of the system of intervention measures designed to stabilize the market in milk products. It is for the national court to take account of the consequences of that finding for the purpose of determining whether or not it has jurisdiction in relation to the levy</p> <p>2. Consideration of the second question submitted to the Court has disclosed no factor of such a nature as to affect the validity of Council Regulation No 1079/77 or of Commission Regulation No 1822/77</p>
Commercial policy	
10.7.1985, 83/85 — Eurasian Corporation v Commission	Ordered removed from the Court Register
Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters	
2.7.1985, 148/84-Deutsche Genossenschaftsbank v Brasserie du Pêcheur ⁴	<p>Article 36 of the Convention excludes any means of redress on the part of interested third parties in respect of an enforcement order even if a means of redress is available to such third parties under the law of the State where the enforcement order is granted</p>
4.7.1985, 220/84 — As-Autoteile Service v Malhé ³	<p>Actions to oppose enforcement, as provided for under Paragraph 767 of the German Code of Civil Procedure, do not fall within the jurisdiction provision contained in Article 16(5) of the</p>

Date and case	Held
<p>11.7.1985, 221/84 — Berghoefer v ASA²</p> <p>Miscellaneous (protection of rights of individuals)</p> <p>11.7.1985, 137/84 — Ministère Public v Mutsch²</p>	<p>Convention; that provision does not, however, make it possible, in an action to impose enforcement brought before the courts of the Contracting State in which enforcement is to take place, to plead a set-off between the right whose enforcement is being sought and a claim over which the courts of that State would have no jurisdiction if it were raised independently</p> <p>The first paragraph of Article 17 of the Convention must be interpreted as meaning that the formal requirements therein laid down are satisfied if it is established that jurisdiction was attributed by oral agreement dealing expressly with that point, that written confirmation of that agreement by one of the parties was received by the other and that the latter raised no objection</p>
<p>Development</p> <p>10.7.1985, 118/83 — Cooperativa Muratori e Cementisti v Commission¹</p>	<p>The principle of free movement of workers, as laid down in Article 48 EEC and more particularly in Council Regulation No 1612/68, requires that a worker who is a national of one Member State and habitually resides in another Member State be entitled to require that criminal proceedings against him take place in a language other than the language normally used in proceedings before the court which tries him if workers who are nationals of the host Member State have that right in the same circumstances</p>
<p>Administrative questions</p> <p>11.7.1985, 111/84 — Institut National d'Assurances Sociales pour Travailleurs Indépendants v Cantisani²</p>	<ol style="list-style-type: none"> 1. The application made by the applicants under Article 91 of the Rules of Procedure for an order requiring the Commission to produce certain documents is dismissed 2. The application is dismissed as inadmissible in so far as it is based on Articles 173 and 175 EEC 3. The application is dismissed as unfounded in so far as it is based on Article 178 and the second paragraph of Article 215 EEC (EDF — Amarti river diversion project) <p>Articles 1 and 2 of the <i>Conditions of Employment of Other Servants of the European Communities</i> do not apply to interpreters in respect of periods during which they are engaged by the Commission under the terms of the internal Réglementation concernant les Interprètes de Conférence Indépendants (Freelance) [Arrangements Regarding Freelance Conference Interpreters] of 8 October 1974</p>

Date and case	Held
Infringements	
3.7.1985, 277/83 — Commission v Italy ⁴	By imposing on dessert wines imported from other Member States a frontier surcharge on spirits distilled from wine and used in the manufacture of dessert wines at a rate higher than that of the charge levied on spirits distilled from wine and used in the production of Marsala, a dessert wine, Italy has failed to fulfil its obligations under Article 95 EEC
10.7.1985, 16/84 — Commission v Netherlands ¹	Application dismissed (sixth VAT Directive — basis of assessment in the case of movable goods traded in)
10.7.1985, 17/84 — Commission v Ireland ¹	Application dismissed (sixth VAT Directive — basis of assessment in the case of movable goods traded in)
11.7.1985, 278/83 — Commission v Italy ⁶	By applying to sparkling wines that have an appellation of origin, and that under national rules must be produced by natural fermentation in the bottle, a higher rate of value-added tax than it applies to comparable sparkling wines produced in Italy, Italy has failed to fulfil its obligations under Article 95 EEC
11.7.1985, 101/84 — Commission v Italy ²	By failing to compile statistical returns in accordance with the rules laid down in Council Directive 78/546/EEC on statistical returns in respect of carriage of goods by road, as part of regional statistics, Italy has failed to fulfil its obligations under that Directive
11.7.1985, 107/84 — Commission v Germany ²	By exempting from value-added tax the services provided by virtue of statutory provisions by transport undertakings for the Deutsche Bundespost, the Federal Republic of Germany has failed to fulfil its obligations under the EEC Treaty and under the provisions of the sixth VAT Directive
26.6.1985, 219/83 — Commission v Netherlands	Ordered removed from the Court Register (Directives 78/686/EEC and 78/687/EEC on freedom of establishment for dentists)
26.6.1985, 99/84 — Commission v France	Ordered removed from the Court Register (Article 30 EEC — preference for domestic equipment in the processing of applications for State investment aid)
Disputes between the Community and its staff	
4.7.1985, 176/83 — Allo and Others, 233/83 — Agostini and Others and 247/83 — Ambrosetti and Others v Commission ⁷	1. The applications are dismissed as inadmissible in so far as they contain a claim for the payment of compensatory interest

Date and case	Held
174/83 — Amman and Others v Council ⁸ 175/83 — Culmsee and Others v Economic and Social Committee ⁷	2. The other claims put forward by the applicants are remitted to the full Court for consideration of the substance (increase in salary arrears paid in December 1982 under Council Regulation No 3139/82 to include interest to compensate for the financial loss suffered by the applicants)
4.7.1985, 264/83 — Delhez and Others v Commission ⁹	1. The application is dismissed in the case of certain applicants inasmuch as it was lodged out of time by those applicants 2. As regards the other applicants, the application is dismissed as inadmissible in so far as it contains a claim for the payment of compensatory interest 3. The other claims put forward by the applicants referred to in paragraph 2 are remitted to the full Court for consideration of the substance (increase in salary arrears paid in December 1982 under Council Regulation No 3139/82 to include interest to compensate for the financial loss suffered by the applicants)
11.7.85, 87 and 130/77, 22/83 and 9 and 10/84 — Salerno and Others, ² 66, 67, 68 and 136 to 140/83 — Hattet and Others ¹ and 119/83 — Appelbaum ² v Commission	The applications, lodged by CS (special contract) staff at the European Association for Cooperation, are dismissed except for the claims aimed at revision of their classification in grade and step: The applications in Cases 9 and 10/84 are dismissed as inadmissible. The applications in Cases 87 and 130/77 and 22/83 are dismissed as unfounded. The Commission's decisions appointing the applicants are annulled in so far as they determine grade and step (Cases 66, 67 and 68/83, 136 to 140/83 and 119/83); for the rest, Cases 66, 67 and 68/83 and 136 to 140/83 are dismissed, and all these cases are remitted to the Commission for a fresh decision
11.7.1985, 236/82 — Brautigam v Council ¹	Judgment for the applicant
3.7.1985, 3/83 — Abrias and Others v Commission ⁴	Application dismissed (claim that the 'crisis levy' is unlawful)
11.7.1985, 255 and 256/83 — Mr R. v Commission ⁶	Applications dismissed
11.7.1985, 43/84 — Maag v Commission ⁶	Application dismissed as inadmissible
20.6.1985, 141/84 — de Compte v European Parliament	Judgment for the applicant
4.7.1985, 134/84 — Williams v Court of Auditors ³	Application dismissed

¹ OJ C 195, 3.8.1985.

² OJ C 200, 8.8.1985.

³ OJ C 191, 31.7.1985.

⁴ OJ C 185, 25.7.1985.

⁵ OJ C 187, 27.7.1985.

⁶ OJ C 202, 10.8.1985.

⁷ OJ C 192, 1.8.1985.

⁸ OJ C 210, 21.8.1985.

⁹ OJ C 194, 3.8.1985.

Court of Auditors

2.5.29. At the end of June the Court of Auditors adopted a special report on checks on exports of agricultural products giving rise to the payment of refunds.

This report analyses the system set up in Member States to check on exports of products which give rise to the payment of refunds. In 1984 export refunds represented nearly 25% of the general budget of the Communities.

2.5.30. On 12 July the Court of Auditors adopted a special report on some aspects of technical assistance financed by Community aid and in particular the procedures for selecting consultancies to be paid from Community funds.

Economic and Social Committee

228th plenary session

2.5.31. The Economic and Social Committee held its 228th plenary session in Brussels on 3 and 4 July with Mr Gerd Muhr in the chair.¹ The session included a lengthy debate on the economic and social situation in the Community, after which the Committee adopted an own-initiative opinion on the economic situation in the first half of 1985 (→ point 2.5.33) and an opinion on social developments in the Community in 1984 (→ point 2.5.34).

Several other opinions were adopted, as were changes to the Committee's rules of procedure with a view to the inclusion of representatives from Portugal and Spain.

Information report

2.5.32. The Committee adopted an information report analysing demographic trends in the Community, as characterized by the changing profile of the age pyramid, and looking into the causes, assessing their consequences and suggesting remedies.

After setting out and commenting on certain statistics, the Committee examines the possible causes of the fertility crisis and the economic and social implications of a continued low birth rate in most of the Community countries (e.g. impact on public finance, economic repercussions, potential working population, effects on different sectors, volume and structure of consumption, savings and investment, dependence on immigration, competitiveness).

If present behaviour patterns are maintained, the economic, social and political picture for Europe gives cause for concern, especially in view of the more or less automatic effects brought about by the ageing of the population. As the present demographic situation is unfavourable, and as there is no indication of it getting better on its own, it is up to the public authorities, as guardians of the long-term interests of the societies in their charge, to concern themselves with the radically new factors which have led to such an imbalance and to help restore a more balanced age structure by making it easier for parents to choose what size family they want.

Own-initiative opinion

2.5.33. In its assessment of the economic situation in the Community in mid-1985, the Committee noted that economic recovery was continuing slowly and expressed the opinion that it would be helped if Member States took steps to improve the operation of the markets in goods, services and capital. What is more, the Community needed to make an effort to reduce its dependence in the world economy and to thus give itself greater room for manoeuvre.

This opinion was adopted by 76 votes to 6, with 23 abstentions.

Opinions on Commission proposals and on a Commission report

2.5.34. By 75 votes to 10, with 13 abstentions, the Committee adopted an opinion

¹ OJ C 218, 29.8.1985.

on social developments in the Community in 1984 based on the Commission's *Social Report*.¹ The Committee noted that employment had continued to rise, reaching an average level of 12.7 million, i.e. 11% of the workforce, despite lower inflation and public expenditure, higher productivity and profits and continued wage restraint. The Committee stressed the importance of coordinating social and economic policies.

2.5.35. Delivering a favourable opinion on the 'Memorandum on income taxation and equal treatment for men and women',² the Committee felt that under no circumstances should tax laws imply a value judgment on an individual's family or marital status: they should be absolutely neutral in those respects.

The Committee proposed that an individual taxation system on a European scale should be adopted as soon as possible, together with arrangements guaranteeing a fair apportionment of realistic tax relief for dependants (children, the elderly, invalids, etc.).

2.5.36. The Committee unanimously adopted an opinion in favour of two Commission proposals regarding energy.

As regards the proposal to grant financial support for demonstration projects relating to alternative energy sources, energy saving and the substitution of hydrocarbons,³ the Committee felt that the programme was capable of stimulating innovation in industry and of having a positive impact on labour-market policy; it also thought that it was necessary to help disseminate the results and to envisage the possibility of extending Community support.

With regard to financial support for demonstration projects relating to the liquefaction and gasification of solid fuels,³ the Committee's main conclusions were that the volume of aid envisaged by the Commission was the absolute minimum required, that the duration of the programme should not be curtailed and that the research, development and demonstration infrastructure

built up under previous programmes should be preserved.

2.5.37. The Committee unanimously adopted an opinion on the Commission's proposal on specific training in general medical practice,⁴ endorsing its aims and putting forward several further suggestions.

2.5.38. The committee also unanimously adopted a favourable opinion on the use of ECUs by 'other holders'.

In particular, it felt that the arrangements enabling 'other holders' to use ECUs should be gradually extended and liberalized so that the ECU could become an international reserve currency and a common currency. It also urged that further measures should be taken (such as economic convergence and financial integration) to consolidate the stability, credibility and identity of the EMS.

2.5.39. The Committee also adopted favourable opinions on Commission proposals concerning:

- modified starches intended for human consumption;⁵
- problems of health control affecting intra-Community trade in fresh meat and imports of live cattle and pigs and of fresh meat from third countries;⁶
- the 18th and 19th VAT harmonization Directives;⁷ however, the Committee proposed a number of improvements;
- measures to discourage the release for free circulation of counterfeit goods;⁸ in its opinion, adopted unanimously, the Committee suggested extending the scope of the Regulation to cover counterfeiting of designs and models registered in the Member States.

¹ Bull. EC 4-1985, point 2.1.48.

² Bull. EC 12-1984, point 2.1.97.

³ OJ C 109, 3.5.1985; Bull. EC 2-1985, point 2.1.121.

⁴ OJ C 13, 15.1.1985; Bull. EC 12-1984, point 2.1.10.

⁵ OJ C 31, 1.2.1985; Bull. EC 12-1984, point 2.1.16.

⁶ OJ C 68, 15.3.1985; Bull. EC 2-1985, point 2.1.92.

⁷ OJ C 347, 29.12.1984; Bull. EC 12-1984, points 2.1.77 and 2.1.78.

⁸ OJ C 20, 22.1.1985; Bull. EC 12-1984, point 2.1.39a.

European Investment Bank

Operations in July and August

2.5.40. The European Investment Bank's loans in July and August for investment in the Community included 708.3 million ECU¹ for projects in Italy, 138.7 million for projects in the United Kingdom, 63.1 million in France, 60 million in Greece, 38.9 million in Belgium, 35.6 million in Ireland and 11.8 million in the Netherlands.

To this total of 1 056.4 million ECU to Member States must be added 204.5 million ECU lent to Mediterranean countries (including 95 million to Spain and Portugal) and 11.04 million ECU to signatory States to the second Lomé Convention.

Community

Italy

2.5.41. LIT 1 156 500 million was granted altogether, including some LIT 850 000 million for development projects in the Mezzogiorno. Distribution of loans by sector was as follows: LIT 726 000 million for telecommunications and transport infrastructure, LIT 291 000 million for energy, LIT 102 500 million for industry, particularly for small and medium-sized businesses, and LIT 37 000 million for environmental protection.

Telecommunications and transport. LIT 500 000 million went towards the extension and improvement of the Mezzogiorno telephone system (Abruzzi, Molise, Lower Latium, Campania, Basilicata, Apulia, Calabria and Sicily). The new equipment will increase the total number of connections by almost 300 000 and offer a more reliable and improved service, gradually moving over to digital technology, the use of optical fibres in cables and the introduction of new telecommunications services.

In the transport sector, the EIB lent LIT 111 000 million towards the purchase of 13 McDonnell Douglas MD 82s and 6 Aeritalia/Aérospatial ATR 42s to modernize and improve air transport in the Mez-

zogiorno. The increase in capacity will enable growing demand to be met and new routes to be developed.

LIT 90 000 million was lent for the construction of a section of the Friuli motorway, which will improve North-South communications within the Community. Another LIT 20 000 million went on work to increase the capacity of the electrified railway line which runs through part of the Greater Naples area.

Finally, LIT 5 000 million went to help rebuild six viaducts on the Naples-Avellino-Bari motorway, which was damaged by the earthquakes in November 1980. An interest-rate subsidy of 3% from the Community budget was granted for this loan, under the heading of aid for reconstruction in disaster-stricken regions.

Energy. As part of Community policy to reduce dependence on oil imports, a loan of LIT 60 000 million was granted to ENEL (Ente nazionale per l'energia elettrica) for the Alto Lazio nuclear power station at Montalto di Castro (Upper Latium), for which the EIB has already contributed a total of LIT 500 000 million. LIT 51 000 million granted to Italgas helped convert the gas distribution network in the city of Rome to natural gas, and to extend the network.

LIT 80 000 million was granted to AGIP for the development of two oilfields in the Mezzogiorno, the total production of which is estimated at 3 million toe (tonnes of oil equivalent) per annum: the Vega field in the Sicilian Channel, the largest discovery to date in Italy, and the Torrente Tona field in Molise.

LIT 40 000 million will help finance conversion to natural gas and the extension of the gas distribution grid in Naples.

A LIT 40 000 million global loan (line of credit) to Banco nazionale del lavoro will

¹ The conversion rates at 28 June used by the EIB in statistics for the first quarter were: 1 ECU = BFR 45.27, DKR 8.07, DM 2.24, DR 99.97, FF 6.85, HFL 2.53, IRL 0.72, LFR 45.27, LIT 1 433, UKL 0.57, USD 0.73.

help finance small and medium-sized schemes designed to reduce energy consumption in central and northern Italy.

Finally, a LIT 20 000 million loan to ENEL will reinforce the links between the French and Italian electricity grids, allowing a more efficient utilization of available generating capacity, which should lead to real savings of some 250 000 toe per annum.

Industry. The EIB granted a loan of LIT 40 000 million for the extension and restructuring of an electronic components plant in Catania province (Sicily). It also granted three global loans: LIT 40 000 million to Isveimer (Istituto per lo sviluppo dell'Italia meridionale) and LIT 10 000 million to the Banca nazionale del lavoro (Sacat) for small and medium-sized ventures in industry and the hotel trade in the Mezzogiorno, and LIT 12 500 million, also to the BNL/Sacat, for small and medium-sized ventures in the hotel and tourist industry in the centre and north of the country.

Environment. LIT 37 000 million was granted for environmental protection: LIT 23 000 million to the Veneto region towards the construction of a sewerage scheme for the lagoon of Venice and LIT 14 000 million to the Lombardy region to reduce pollution in the basins of the Po river and several of its tributaries.

United Kingdom

2.5.42. Loans of UKL 78.5 million were granted, as follows:

- UKL 50 million to improve the electricity grid in Scotland by completing the Torness power station, which is expected to generate some 1.5 million toe per annum. UKL 30 million of this money is to connect the power station with the UK high voltage grid and with the town of Dunbar, and UKL 20 million is for the construction of the power station itself, which consists of two groups of advanced gas-cooled reactor.
- UKL 20 million was granted for road improvements in the West Midlands, designed to open up industrial development centres. The funds are for eight schemes

around Birmingham and the Wolverhampton, Walsall, Dudley, Solihull and Coventry areas, along with the Wolverhampton ring road, the Birmingham middle ring road, the Black Country route and the Small Heath bypass in Birmingham.

- Another UKL 6 million was for road construction in South Glamorgan, Wales, which will improve access to the industrial and dockland areas of Cardiff.
- Finally, in Scotland, UKL 2.5 million went towards extension of a specialist electronic instruments factory near Edinburgh, which manufactures advanced-technology testing and measuring instruments for telecommunications.

France

2.5.43. In cooperation with the Caisse d'aide à l'équipement des collectivités locales (CAECL), the Bank granted loans of FF 364 million: FF 250 million was for small and medium-sized public works in areas with problems of modernization and conversion, particularly for departmental roads, ports, railways and air links, and FF 113.6 million was lent to the regional authorities in Brittany and the Loire region and to the departments of Loire-Atlantique, Côtes-du-Nord, Finistère, Ille-et-Vilaine and Morbihan, for the modernization of routes contributing to the economic integration of the various parts of Brittany under the regional road programme. Some of the improvements will help to open up inland areas with poor communications or improve access to the ports of Roscoff, St Malo and Douarnenez and the Pont-l'Abbé region.

Greece

2.5.44. A DR 6 000 million global loan to the Deposits and Loans Fund will help the local authorities to implement small-scale infrastructure schemes leading to more balanced regional development in all parts of Greece.

Belgium

2.5.45. BFR 1 750 million was granted for the third unit of Tihange nuclear power

station, 30 km from Liège, bringing total EIB support for the second and third units to BFR 12 000 million. The third unit will raise total installed capacity to 2 770 MW, and output from the power station as a whole will allow a reduction in imports of around 4 million toe per annum. The scheme has also attracted almost BFR 12 million from Euratom.

Ireland

2.5.46. Loans totalling IRL 25.5 million were granted in Ireland, of which IRL 16.5 million was for improvements to the national road network, including IRL 6.5 million for work in Cork and Dublin and near Leighlinbridge, Mallow, Wexford and Wicklow and IRL 10 million for individual small improvement works to roads throughout the country.

IRL 5 million will be directed into increasing the substitution of coal for oil in energy production, so assisting the diversification of Ireland's energy imports, and IRL 4 million will help finance new buildings and equipment to expand classroom, workshop and laboratory facilities at the National Institute of Higher Education at Limerick.

Netherlands

2.5.47. HFL 30 million was granted to Verenigde Bloemenveilingen to finance the enlargement of the covered flower-auction halls in Aalsmeer. This enlargement of about 209 000 m² was made necessary by the continuous growth of the market in flowers. The loan also aims to help Verenigde Bloemenveilingen Aalsmeer in its campaign to foster floriculture in the Community and the export of flowers and plants from the EEC.

Acceding countries

2.5.48. In Spain the EIB granted 60 million ECU for railway improvements and small investments in industry and infrastructure. These loans, granted under the last extension of the pre-accession financial coopera-

tion agreement, are for investments to help prepare the Spanish economy for entry into the Community. A 30 million ECU loan to Red Nacional de los Ferrocarriles Españoles is to go towards removal of serious bottlenecks on the Madrid-Barcelona-Port Bou (French border) line, one of the main rail links between Spain and the Community.

20 million ECU granted to Banco de Crédito Industrial is for onlending to small and medium-sized ventures in industry and related services, some two thirds of which will be in less-developed regions.

Finally, a global loan of 10 million ECU to Banco de Crédito Local de España will help finance small and medium-sized infrastructure schemes being carried out by local authorities in the less-developed regions.

2.5.49. In Portugal the Bank lent 35 million ECU for road improvements and small and medium-sized investments in energy, environmental protection schemes and small and medium-sized industry. The funds are being made available under the pre-accession financial aid arrangement for investments aimed at preparing for entry into the Community. 20 million ECU is to finance six new sections of the main roads linking Vilar Formoso on the Spanish border with the port of Aveiro and with Coimbra. A 15 million ECU global loan to Banco Português de Investimento (BPI) will help to fund small and medium-sized ventures in industry, tourism and non-trading services and schemes aimed at energy saving and environmental protection.

Outside the Community

Mediterranean countries

2.5.50. In Algeria the Bank lent 75 million ECU. 50 million ECU went towards improvement of the road between Jijel and Constantine in the north-east of the country. The works, which will cut transport time and costs, involve construction of 100 km of new road sections and the widening of 33 km of existing road.

25 million ECU was for extension of the freight port at Bejaia in the eastern part of the country. The work involves the construction of a new quay, 750 m long and 12 m deep, and 2.5 ha of quay storage area.

The funds are being made available under the first and second financial protocols between Algeria and the Community, with a 2% interest-rate subsidy from the Community budget.

In Syria the Bank lent 28 million ECU for the expansion of a power station at Mehardeh, some 260 km north of Damascus. The project comprises two 165 MW oil-fired turbine units, auxiliary facilities and connection to the national power grid.

The loan has a 3% interest-rate subsidy from Community budget resources, and is made available under the second financial protocol between Syria and the Community.

In Tunisia 6.5 million ECU helped buy ten trawlers to improve the exploitation of Tunisian fishing resources. The loan, granted to Banque Nationale de Développement Agricole, is for onlending to small companies owned by Tunisian fishermen, and comes under the second financial protocol between the Community and Tunisia. 4.5 million ECU is from the Bank's own resources and has a 3% interest-rate subsidy from Community budget resources, while 2 million ECU comes from Community budget resources managed by the Bank.

ACP States

2.5.51. Under the second Lomé Convention the Bank granted loans totalling 11.04

million ECU drawn from risk capital resources managed by the Bank for the European Development Fund. 6 million ECU went towards the rehabilitation and modernization of a textile mill at Antsirabé, in central Madagascar. The beneficiary, la Cotonnière d'Antsirabé — Cotona, with a workforce of 2 770, will modernize the mill, which uses locally produced cotton and makes a major contribution to the country's balance of payments. One of Madagascar's two leading textile manufacturers, Cotona sells 80% of its output on the home market. The project is aimed at renovating or replacing certain equipment in the spinning and weaving departments.

3 million ECU was lent in Lesotho to promote the development and expansion of small industrial, agricultural processing, mining and tourism businesses. This global loan to the Lesotho National Development Corporation will be onlent to finance feasibility studies, equity participations, subsidiary loans and industrial buildings.

In Chad a 2 million ECU loan was granted for investments by small industrial, agricultural processing, fishing, mining, energy and transport businesses. The funds will be made available to the Banque Tchadienne de Crédit et de Dépôts and the Banque Internationale pour l'Afrique au Tchad and will be onlent for ventures selected in agreement with the EIB and in consultation with the Chad Government.

Finally, 37 000 ECU was advanced for a feasibility study on the revival and development of the activities of the National Industrial Development Corporation of Swaziland, the country's principal source of funding for small and medium-sized industrial concerns.



PART THREE

DOCUMENTATION

1. ECU

Values in national currencies of one ECU

30 August ¹	
Belgian franc and Luxembourg franc (convertible)	45.1270
Belgian franc and Luxembourg franc (financial)	45.5632
German mark	2.22753
Dutch guilder	2.50768
Pound sterling	0.571108
Danish krone	8.09212
French franc	6.80627
Italian lira	1 496.56
Irish pound	0.716249
Greek drachma	106.062
United States dollar	0.800408
Swiss franc	1.82789
Spanish peseta	130.947
Swedish krona	6.63138
Norwegian krone	6.57535
Canadian dollar	1.09104
Portuguese escudo	133.668
Austrian schilling	15.6560
Finnish mark	4.73761
Japanese yen	189.665
Australian dollar	1.13694
New Zealand dollar	1.47080

¹ OJ C 221, 31.8.1985

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	
National currency	Value in national currency of one ECU
Belgian franc and Luxembourg franc	46.4118
Danish krone	8.41499
German mark	2.39792 ¹ 2.41047 ² 2.38516 ³
Greek drachma	77.2479 ⁴ 102.345 ⁵ 90.5281 ³
French franc	7.00089 ⁶ 6.49211 ⁴ 7.10590 ⁷ 6.86866 ³
Irish pound	0.725690 ⁴ 0.750110 ³
Italian lira	1 341.00 ⁴ 1 482.00 ⁵ 1 432.00 ³
Dutch guilder	2.70178 ¹ 2.71620 ² 2.68749 ³
Pound sterling	0.618655

¹ For cereals and durum wheat.

² For milk and milk products.

³ For other products.

⁴ For seeds.

⁵ For milk and milk products, beef/veal, and sheepmeat and goatmeat, sugar, durum wheat, cereals, eggs and poultrymeat, and pigmeat.

⁶ For beef/veal, sheepmeat and goatmeat, sugar, durum wheat, cereals, eggs and poultrymeat.

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 12-1984

Point 2.1.62

Commission Decision of 19 December 1984 on the French system of assistance to industry comprising special investment loans, subsidized loans to enterprises, additional refinancing loans and FIM (Industrial Modernization Fund) loans

OJ L 216, 13.8.1985

Bull. EC 1-1985

Point 2.1.63

Commission communication concerning the multi-annual guidance programme for restructuring, modernizing and developing the fishing industry presented by Belgium

OJ C 173, 12.7.1985

Bull. EC 4-1985

Points 1.2.1 to 1.2.4

Progress towards a common transport policy—
Maritime transport:

Draft Council Regulation concerning coordinated action to safeguard free access to cargoes in ocean trades

Draft Council Regulation applying the principle of freedom to provide services to sea transport

Draft Council Decision amending Decision 77/587/EEC setting up a consultation procedure on

relations between Member States and third countries in shipping matters and on action relating to such matters in international organizations

Draft Council Directive concerning a common interpretation of the concept of 'national shipping line'

Amendments to the proposal for a Council Regulation laying down detailed rules for the application of Articles 85 and 86 of the Treaty to maritime transport

Draft Council Regulation on unfair pricing practices in maritime transport

OJ C 212, 23.8.1985

Point 2.1.41

Commission Decision of 2 April 1985 on the German Government's proposal to grant an aid in favour of a producer of polyamide yarn situated in Neumünster

OJ L 181, 13.7.1985

Point 2.1.67

Proposal for a Council Regulation instituting integrated Mediterranean programmes

OJ C 179, 17.7.1985

Points 2.4.32 to 2.4.38

Opinions adopted by the Economic and Social Committee during its session on 24 and 25 April 1985

OJ C 169, 8.7.1985

Bull. EC 5-1985

Point 2.1.2

Proposal for a Council Regulation amending Council Regulation (EEC) No 3181/78 as regards the use of the ECU by 'other holders'

OJ C 171, 10.7.1985

Point 2.1.3

Proposal for a Council Decision empowering the Commission to borrow under the New Community Instrument for the purpose of promoting investment within the Community

OJ C 163, 3.7.1985

Point 2.1.35

Aids to the Community synthetic fibres industry

OJ C 171, 10.7.1985

Points 2.4.21 to 2.4.29

Opinions adopted by the Economic and Social Committee during its session on 29 and 30 May 1985

OJ C 188, 29.7.1985

Bull. EC 6-1985

Point 2.1.16

Council Directive of 10 June 1985 on the mutual recognition of diplomas, certificates and other evidence of formal qualifications in architecture, including measures to facilitate the effective exercise of the right of establishment and freedom to provide services

Council Recommendation of 10 June 1985 concerning holders of a diploma in architecture awarded in a third country

Council Decision of 10 June 1985 setting up an Advisory Committee on Education and Training in the Field of Architecture

OJ L 223, 21.8.1985

Point 2.1.50

Commission Decision of 5 June 1985 concerning an aid scheme in favour of the textile and clothing industry in France funded by means of parafiscal charges

OJ L 217, 14.8.1985

Point 2.3.13

Agreement in the form of an exchange of letters between the European Atomic Energy Community (Euratom) and the Government of Canada, amending the Agreement between the European Atomic Energy Community (Euratom) and the Government of Canada of 6 October 1959 for cooperation in the peaceful uses of atomic energy

OJ C 191, 31.7.1985

Point 2.5.25

Resolution of the ECSC Consultative Committee on the Community's energy objectives

OJ C 190, 30.7.1985

Point 2.5.26

Resolution of the ECSC Consultative Committee on the general objectives for steel 1990

OJ C 190, 30.7.1985

3. Infringement procedures

Initiation of proceedings for failure to implement directives

3.3.1. In July 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 three cases:

Customs union

Commission Directive of 26 July 1984 fixing standard rates of yield for certain inward processing operations and laying down certain rules for the calculation of import duties¹ (Luxembourg).

Commission Directive of 26 July 1984¹ amending the Annex to the Council Directive of 4 March 1969 on the harmonization of provisions laid down by law, regulation or administrative action in respect of inward processing² (Luxembourg).

Agriculture

Council Directive of 7 February 1983³ amending the Council Directive of 26 June 1984 on health problems affecting intra-Community trade in fresh meat⁴ (Belgium, Denmark, Greece, France, Ireland, Italy, Luxembourg, Netherlands).

3.3.2. In August 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 three cases:

Environment, consumer protection and nuclear safety

Commission Directive of 29 July 1983⁵ adapting to technical progress for the fifth time 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 substances⁶ (Luxembourg, United Kingdom).

Council Directive of 3 December 1982 on procedures for the surveillance and monitoring of environments concerned by waste from the titanium dioxide industry⁷ (Luxembourg, United Kingdom).

Council Directive of 3 December 1982 on a limit value for lead in the air⁷ (Denmark, Luxembourg).

Reasoned opinions

3.3.3. In July the Commission delivered reasoned opinions in the following cases:

Customs union

Repayment of national charges having effect equivalent to customs duties (France, Italy).

Failure to incorporate correctly into national law the Council Directive of 24 July 1979 on the harmonization of procedures for the release of goods for free circulation⁸ (Belgium).

Internal market and industrial affairs

Failure to incorporate correctly into national law the Council Directive of 22 March 1977 to facilitate the effective exercise by lawyers of freedom to provide services⁹ (Italy).

Failure to incorporate correctly into national law the Council Directive of 21 January 1980 concerning the mutual recognition of diplomas, certificates and other evidence of formal qualifications in midwifery and including measures to facilitate the effective exercise of the right of establishment and freedom to provide services¹⁰ (Belgium).

Failure to incorporate correctly into national law the Council Directive of 21 January 1980 concerning the coordination of provisions laid down by law, regulation or administrative action relating to the taking up and the pursuit of the activities of midwives¹⁰ (Belgium).

Compulsory wording 'Made in...' on the labels of textile products (Italy).

Rules on public contracts (France).

Agriculture

Export of agar preserved meat (Germany).
Increase in alcoholic strength of Moselle wines (Germany).

¹ OJ L 245, 14.9.1984.

² OJ L 58, 8.3.1969.

³ OJ L 59, 5.3.1983.

⁴ OJ 121, 29.7.1964.

⁵ OJ L 257, 16.9.1983.

⁶ OJ 196, 16.8.1967.

⁷ OJ L 378, 31.12.1982.

⁸ OJ L 205, 13.8.1979.

⁹ OJ L 78, 26.3.1977.

¹⁰ OJ L 33, 11.2.1980.

Production of wine with the registered designation of origin *Caldaro* or *Lago di Caldaro* (Italy).

Designation of olive oil intended for non-member countries (Italy).

Marketing of summer and autumn pears (France).

Transport

Failure to inform the Commission of national measures to give effect to the Council Directive of 4 December 1980 on the introduction of a Community driving licence¹ (Belgium).

Financial institutions and taxation

Failure to inform the Commission of national measures to give effect to the Council Directive of 5 March 1979 coordinating the conditions for the admission of securities to official stock exchange listing² (Greece).

Failure to inform the Commission of national implementing measures to give effect to the Council Directive of 17 March 1980 coordinating the requirements for the drawing-up, scrutiny and distribution of the listing particulars to be published for the admission of securities to official stock exchange listing³ (Greece).

Failure to inform the Commission of national measures to give effect to the Council Directive of 15 February 1982 on information to be published on a regular basis by companies the shares of which have been admitted to official stock exchange listing⁴ (Greece).

Failure to inform the Commission of national measures to give effect to the Council Directive of 28 March 1983 on tax exemptions applicable to permanent imports from a Member State of the personal property of individuals⁵ (Italy).

Failure to inform the Commission of national measures to give effect to the Council Directive of 28 March 1983⁵ determining the scope of Article 14(1)(d) of the sixth Council Directive of 17 May 1977 as regards exemption from value-added tax on the final importation of certain goods⁶ (Italy).

3.3.4. In August the Commission delivered reasoned opinions in the following cases:

Customs union

Failure to incorporate correctly into national law the Council Directive of 24 February 1981 on the

harmonization of procedures for the export of Community goods⁷ (Belgium).

Duty-free importation of military equipment (Belgium, Denmark, Italy, Luxembourg, Netherlands, United Kingdom).

Inspection fees on importation of poultrymeat (Belgium).

Internal market and industrial affairs

Failure to inform the Commission of national measures to give effect to the Council Directive of 21 January 1980 concerning the mutual recognition of diplomas, certificates and other evidence of formal qualifications in midwifery and including measures to facilitate the effective exercise of the right of establishment and freedom to provide services⁸ (Greece).

Failure to incorporate correctly into national law the Council Directive of 26 January 1982⁹ amending the Council Directive of 16 June 1975 concerning the mutual recognition of diplomas, certificates and other evidence of formal qualifications in medicine, including measures to facilitate the effective exercise of the right of establishment and freedom to provide services¹⁰ and also the Council Directive of 16 June 1975 concerning the coordination of provisions laid down by law, regulation or administrative action in respect of activities of doctors¹⁰ (Belgium).

Failure to incorporate correctly into national law the Council Directive of 14 December 1981¹¹ supplementing the Council Directives of 16 June 1975,¹⁰ 27 June 1977,¹² 25 July 1978¹³ and 18 December 1978¹⁴ concerning the mutual recognition of diplomas, certificates and other evidence of formal qualifications of doctors, nurses responsible for general care, dental practitioners and veterinary surgeons respectively, with regard to acquired rights (Belgium, Netherlands).

¹ OJ L 375, 31.12.1980.

² OJ L 66, 16.3.1979.

³ OJ L 100, 17.4.1980.

⁴ OJ L 48, 20.2.1982.

⁵ OJ L 105, 23.4.1983.

⁶ OJ L 145, 13.6.1977.

⁷ OJ L 83, 30.3.1981.

⁸ OJ L 33, 11.2.1980.

⁹ OJ L 43, 15.2.1982.

¹⁰ OJ L 167, 30.6.1975.

¹¹ OJ L 385, 31.12.1981.

¹² OJ L 176, 15.7.1977.

¹³ OJ L 233, 24.8.1978.

¹⁴ OJ L 362, 23.12.1978.

Larger loans granted to purchasers of British vehicles (United Kingdom).

Suspension and subsequent withdrawal of type-approval for welded wire netting (France).

Marketing of milk substitutes (Germany).

Import quotas for fertilizers (Greece).

Access to real-estate loans and renting of housing (Italy).

Competition

Air transport — refusal to give assistance (Belgium, Denmark, Germany, Greece, France, Ireland, Italy, United Kingdom).

Employment and social affairs

Application of the *Gravier* judgment — enrolment fee (Belgium).

Agriculture

National symbol refused for certain butters (Luxembourg).

Denaturing of skimmed milk (Italy).

Protection of the *Bocksbeutel* bottle (Germany).

Personnel and administration

Transfer of pensions rights (Germany).

Financial institutions and taxation

Failure to inform the Commission of national measures to give effect to the Council Directive of 28 March 1983¹ determining the scope of Article 14(1)(d) of the Council Directive of 17 May 1977² as regards exemption from value-added tax on the final importation of certain goods (Ireland).

Failure to inform the Commission of national measures to give effect to the Council Directive of 19 December 1977 concerning mutual assistance by the competent authorities of the Member States in the field of direct taxation³ (Germany).

Failure to inform the Commission of national measures to give effect to the Council Directive of 6 December 1979⁴ amending the Council Directive of 19 December 1977 concerning mutual assistance

by the competent authorities of the Member States in the field of direct taxation³ (Germany).

Proceedings terminated

3.3.5. The Commission decided not to continue the following infringement proceedings:

Cases in respect of which a reasoned opinion had been sent

Customs union

Joint fishing operations in the Baltic Sea (United Kingdom).

Exemption from customs duties for equipment imported from non-member countries for national defence purposes (Germany).

Internal market and industrial affairs

Import ban on seal-based products (Netherlands).

Difficulties in obtaining technical opinions from the Centre Scientifique et Technique du Bâtiment (France).

Arrangements concerning caviar substitutes (Greece).

Fines levied on imports of certain goods (Greece).

Failure to incorporate correctly into national law the Council Directive of 18 December 1978 concerning the mutual recognition of diplomas, certificates and other evidence of formal qualifications in veterinary medicine, including measures to facilitate the effective exercise of the right of establishment and freedom to provide services⁵ (Italy).

Failure to incorporate correctly into national law the Council Directive of 25 July 1978 concerning the mutual recognition of diplomas, certificates and other evidence of the formal qualifications of practitioners of dentistry, including measures to facilitate the effective exercise of the right of establishment and freedom to provide services⁶ (Netherlands).

¹ OJ L 105, 23.4.1983.

² OJ L 145, 13.6.1977.

³ OJ L 336, 27.12.1977.

⁴ OJ L 331, 27.12.1979.

⁵ OJ L 362, 23.12.1978.

⁶ OJ L 233, 24.8.1978.

Failure to incorporate correctly into national law the Council Directive of 25 July 1978 concerning the coordination of provisions laid down by law, regulation or administrative action in respect of the activities of dental practitioners¹ (Netherlands).

Failure to incorporate correctly into national law the Council Directive of 15 October 1968 on the abolition of restrictions on movement and residence within the Community for workers of Member States and their families² (Ireland).

Failure to incorporate correctly into national law the Council Directive of 21 May 1973 on the abolition of restrictions on movement and residence within the Community for nationals of Member States with regard to establishment and the provision of services³ (Ireland).

Hallmarking of silver-plated articles (Belgium).

Competition

Incorrect application of the Commission Directive of 25 June 1980 on the transparency of financial relations between Member States and public undertakings⁴ (France).

Financial institutions and taxation

Incorrect application of the Council Directive of 17 May 1977 on the harmonization of the laws of the Member States relating to turnover taxes — Common system of value-added tax: uniform basis of assessment⁵ — application of the flat-rate scheme for farmers to the supply of goods (Luxembourg).

Incorrect application of the Council Directive of 17 May 1977 on the harmonization of the laws of the Member States relating to turnover taxes — Common system of value-added tax: uniform basis of assessment⁵ — reduction of the taxable amount (Ireland).

Agriculture

Failure by the Greek intervention agency to respect the rights of tenderers for a quantity of 30 000 tonnes of common wheat (Greece).

Environment, consumer protection and nuclear safety

Failure to incorporate correctly into national law the Council Directive of 15 July 1980 relating to the quality of water intended for human consumption⁶ (Luxembourg).

Failure to incorporate correctly into national law the Council Directive of 2 April 1979 on the conservation of wild birds⁷ (Denmark).

¹ OJ L 233, 24.8.1978.

² OJ L 257, 19.10.1968.

³ OJ L 172, 28.6.1973.

⁴ OJ L 195, 29.7.1980.

⁵ OJ L 145, 13.6.1977.

⁶ OJ L 229, 30.8.1980.

⁷ OJ L 103, 25.4.1979.

4. Statement on Luxembourg's term as Council President

Luxembourg, 10 July¹

3.4.1. 'The statement by the President-in-Office of the Council is traditionally taken as an opportunity for a sweeping survey of all the issues arising in the European context.

However, since a lengthy enumeration would run counter to the precision necessary in a parliamentary debate, I shall try to concentrate firstly on what I feel are the most essential points.

First and foremost, I wish to pay tribute to the Italian Presidency for the efficiency and skill with which it has steered our Community through a difficult period, but one rich in lessons and achievements. If, as I speak to you now, the Community seems once more all set to look purposefully towards the future and the fresh prospects which it holds, a large part of the credit indisputably belongs to the Italian Presidency and the remarkable work which it has done.

The Luxembourg Presidency will endeavour to continue the detailed and open dialogue which has been initiated with the European Parliament.

It is our intention that that dialogue should be frank and wide-ranging.

Armed with its mandate from the European Council, the Presidency will shoulder its responsibilities and will be submitting proposals to strengthen the role which you play in the Community decision-making process. In the mean time we will make the best use of the existing provisions.

For the first time in years we no longer need to devote all our energy and abilities to seeking solutions to a profusion of internal problems.

Enlargement of the Community to include Spain and Portugal is now an established fact. New own resources and a corrective budgetary mechanism have been adopted. The financing crisis has been resolved for the time being. Rationalization and reform of the common agricultural policy are under way, as is the process of implementing the integrated Mediterranean programmes.

Admittedly, there are some clouds on the horizon. The ceiling on new own resources, for instance, is too low to give the Community financial security over a long period.

Relations between our two institutions over the budget also remain difficult. I hope that the process of clarification in which the two branches of the budget authority have been engaged for the past

few months will clear the way for constructive cooperation in examining the 1986 draft budget. I am hopeful that at the end of the term of office of the Luxembourg Presidency the Community of Twelve will indeed have a budget. The Presidency, at any rate, intends to spare no effort to achieve this end.

It seems to me that the time has come when we should again be able together to address the major problems of the day. Our Community can once more look to the future. If we do not do it now, when the way ahead is clear, then we may never do it at all!

The Milan European Council laid down major guidelines. Its President has presented its conclusions to you, especially those concerning the institutions.

For my part, I should like today to describe to you the main lines of the Community action which the Presidency hopes the Council will accomplish in this second half of the year.

There is one major priority which the Presidency of the Council must tackle during these six months, a priority which the European Parliament was the first to have the perspicacity and courage to identify.

I am of course talking about the fight against unemployment and a return to growth in the Community economy.

I must admit that it is not without misgivings that I want to attempt to consider, with your help, how the Community can from now on improve its efforts to deal with this major problem. The most striking aspect of the problem is the fact that for more than ten years we have had at one and the same time a constant increase in the number of unemployed and a string of declarations about the need to reduce unemployment.

Up to the end of the 1970s the Community, alone among the developed countries, seemed to be a kind of haven of full employment, but the situation has been radically reversed since then. While the United States and Japan were creating millions of new jobs, the Community was scrapping three million.

Admittedly there was a kind of lull in 1984 and the constant drop in the number of jobs available

¹ Speech in Parliament by Mr Jacques F. Poos, incoming President of the Council, on Luxembourg's programme for its six-month term.

in the EEC seemed to have been stemmed. But this was an illusory respite, for the rise in unemployment has given way to a qualitative deterioration, measured by an increase in the average period of unemployment, especially among young people. With an ever-growing number of under-25s condemned to idleness for periods of over a year, our society seems cynically to be producing half a generation crippled by the lack of work.

In the past decade our countries have lived in the pious hope that unemployment would in the end cure itself.

Since the start of the 1980s, these illusions have been contradicted by the facts and the various Member States have one after another started making efforts to reduce inflation, control spiralling production costs and restore industry's margins. The results after several years show that these efforts were inadequate.

In the past two years economic growth in the United States has been running at 10%, as against some 3% in the EEC. Since the end of the second world war Europe had always outstripped the United States in terms of growth. What a difference now!

What is more, such growth as there is can be attributed chiefly to an increase in exports, itself basically the result of the American upturn. What will happen if the lightning growth of the US economy starts to run out of wind?

There is certainly no miracle answer to unemployment. But if we are not to succumb to this ill which affects almost 13% of our active population, i.e. 15 million people in the enlarged Community, we must set ourselves objectives and decide exactly how to achieve them.

The aim is a significant reduction in the rate of unemployment in the Community within a reasonable time. Even if demographic change can make a limited contribution, the achievement of this aim requires first of all an increase in employment over a lengthy period.

Economic growth will certainly not be sufficient to generate such a job increase, for rates of growth of more than 5% per annum now seem beyond our grasp. The expected growth in the next few years will not therefore in itself be enough to resolve the employment problem.

While what we need is more dynamic growth, we must at the same time ensure above all that it is growth which generates more employment, so that the number of jobs created by each percentage point increase in investment of gross domestic product is higher than before.

Is it possible to achieve this kind of job-generating growth?

It cannot be accomplished by decree. But we do know that the ratio between growth and employment as observed in Europe in the 1970s and 1980s is not an immutable natural law. During those same years this ratio developed quite differently in Japan and the United States.

These examples do not mean that we in Europe should or could simply imitate these two countries, and in any case their two situations differed hugely.

But since these examples prove that growth more conducive to employment is possible, they invite us to seek solutions appropriate to the European context.

These solutions depend both on macroeconomic policy and on the flexibility of our economies. Admittedly, flexibility is not popular. It is hard to accept and to achieve in a low-growth economy. It is a matter not only of recruitment and working conditions but of the whole organization of economic life.

There is, therefore, absolutely no question of a challenge to our European system of social solidarity, to which we remain firmly committed. On the contrary, we must ensure that economic efficiency goes hand in hand with justice and the safeguarding of social progress. That is not possible without a social dialogue which encourages European undertakings to be prepared to create jobs. The Commission has already taken steps to achieve this. These measures must be continued and intensified.

Improvement of the social climate should therefore facilitate structural changes by adapting the labour market, as well as other markets, to the new economic conditions.

An active, imaginative labour market policy should include the promotion of vocational training and should implement specific measures tailored to the less-favoured groups, sectors and regions. The same applies to reorganization and reduction of working time, which, without any threat to the competitiveness of European undertakings, could be negotiated essentially on a decentralized basis.

At the same time promotion of the setting up and expansion of small and medium-sized undertakings should be stepped up, for the role of such firms is essential to job creation.

While a number of these measures are largely the direct responsibility of the Member States, they none the less require a favourable environment and overall framework, which it is highly desirable to develop at Community level.

The Brussels European Council of 29 and 30 March and the Milan European Council pinpointed the main areas for action here:

- firstly, the achievement by 1992 of the large single market referred to in the Commission white paper,
- secondly, convergence of our economic policies and strengthening of the European Monetary System,
- thirdly, development of genuine technological cooperation on a Community-wide scale.

The more dynamic economic development, the easier are the processes of economic and social adjustment. That is why I believe that it is now time to add a dash of dynamism to the other ingredients of macroeconomic policies aimed at monetary stability, moderation of production costs and rationalization of public accounts. Abrupt changes are anathema to the economy.

A more dynamic policy is therefore certainly not possible without a continuation of wage restraint for some time to come, hence the importance of the dialogue between both sides of industry and the authorities, whether governments or Community representatives.

The counterpart to moderation in wage claims which should, however, be proposed is to give a greater boost to demand, thereby avoiding the deflationary trap which inevitably lurks at the end of a long period of austerity.

If, as predicted, the United States cannot continue to the same extent as in the past year to be the driving force of world economic revival, the dynamism necessary for growth in Europe must come from Europe itself.

Without disregarding the contribution to be made by private and public consumption to a more autonomous revival of the European economies, it is in the field of investment that there is the clearest need for an element of dynamism.

This means first of all that, in the Member States, present and future margins for manoeuvre — even where they are narrow — must be exploited to the full to reinforce more job-generating growth.

It also means that the Community as such must make its own contribution to the dynamic of growth.

The expansion of Community borrowing and lending mechanisms would make it possible to finance investment in small and medium-sized undertakings, technological innovation and environmental protection projects. But consideration must also be given to major infrastructure investment which would help to adapt European

transport and telecommunications networks to the needs of a large internal market.

Participation by private capital in the financing of such a coordinated programme of major infrastructures of European importance should also be encouraged.

Several reports prepared at your request have amply developed these ideas and means of action. The Luxembourg Presidency believes that it is now urgent that positive action be taken on these proposals of yours, which the Commission has incorporated in its own work programme.

Such a combination of structural and macroeconomic policies involving increased Community action is fundamentally different from past economic revival programmes which have had short-lived results and have left us with higher rates of inflation, without providing a lasting solution to the problems of growth and employment.

What Europe needs is a real joint, non-inflationary growth project relying on the multiplier effects of Community programmes and conceived as part of the vast project of European integration.

With that in view, speedy development of the large internal market in goods, services, capital and labour is vital to the economic dynamic of the Community.

In the longer term the fight against unemployment will succeed only if Europe again mobilizes its own growth potential and its pool of resources.

So far the Community has itself slowed down its growth by its own lack of achievement.

European integration involves both a very high level of intra-Community trade and a very low level of integration of economic policy instruments:

- *High level of Community trade interpenetration.* More than half of the Member States' external trade is intra-Community trade. This means that as soon as one Member State achieves a growth rate appreciably higher than the average of its neighbours, it imports more from them and exports less to them, which soon affects its trade balance and obliges it to introduce restrictive economic policies, thereby creating more unemployment. Because of this high level of trade interpenetration — which is, moreover, one of the Community's major achievements — each of the Member States is in a position which the Albert and Ball report rightly describes as the "impotence of States" permanently and sensibly to rectify their economic growth rates.

- *Low level of integration of economic policy instruments.* The Community does not have a

common currency; its common budget, which is no more than 1% of GDP, is inadequate for the counterbalancing role which would be essential; up to now it has had no common policy for the future, particularly as regards research and development.

This low level of integration of economic policy instruments is the reason why the Member States are forced down the sterile path of deflation. Whereas the faster development of California or Texas favours the expansion of Minnesota or Massachusetts because the federation of the United States has a common currency and a powerful federal budget, a Community country is obliged to restrict its growth as soon as its expansion exceeds the growth of neighbouring countries by slightly too much and results in an imbalance of its external payments.

May the representative of the smallest Community country here display his natural modesty and endorse the conclusion of the two experts appointed by the European Parliament to the effect that there is no longer any "go it alone" solution for any Member State to the problems of economic growth. Any solutions must involve them all.

Twenty-eight years after the Treaty of Rome was signed, what should have become a great internal economic area is still riddled with barriers and obstacles to free movement. The cost of this non-Europe of barriers and divisions runs into thousands of millions of ECU. The fragmentation of resources and national protectionism destroys initiative, ability and competitiveness. The solution, as has been said over and over again, must be a Community solution or there will be no solution at all.

This freedom of movement, in my opinion, should not be limited merely to goods and services. It should also become a tangible reality for our citizens and a forum for ideas which should be represented by the free circulation of information. In giving every European the possibility of access to the greatest number of programmes, we will help to bring Europeans closer together and give them the opportunity of deriving maximum profit from the cultural diversity of our ancient continent.

Strengthening the internal market will create a powerful impetus for the interpenetration of the economies of our Member States and will pull them towards greater convergence of our economic policies. The great increase in exchanges of goods, services, persons and ideas will also be a factor of economic revival and thus of consequent social progress.

The Commission's white paper clearly sets out the full extent of the problem. Proposals for solutions

have been promised and a timetable for carrying them out in stages has been fixed.

The European Council adopted the guidelines which the Heads of State or Government wish to dominate the discussions on achieving a single great market by 1992. The challenge is there. A considerable effort is required of us all. I can assure you that the Presidency is determined to discharge its responsibilities fully. But we will succeed only if the willingness declared at the highest level is followed by a commitment by everyone.

A more unified internal market will also lead to greater monetary convergence and a strengthening of the zone of stability created by the EMS.

Although the present degree of integration of our monetary policies is very slight, and the objective of true monetary union may seem very far off, I consider that our efforts should be directed towards a continual strengthening of our monetary cooperation, and first and foremost towards equal participation by all Member States in the EMS and an increase in the role and more widespread use of the ECU. The Presidency hopes that the current discussions on the medium and long-term prospects for the EMS will continue to be productive and that they will result in conclusions which can be put into operation.

The Presidency will devote particular attention to improving the acceptability and negotiability of the ECU and to the conditions of its creation and the means which should enable it effectively to carry out the functions assigned to it.

With regard to technology, Europe as a whole is lagging behind its main industrial competitors. A considerable effort in the sphere of development and innovation is necessary at European level. Such an effort can moreover not be viewed in isolation from the completion of the internal market which is a precondition for its success. Only a really unified major market can ensure that scientific and technological progress is applied on a large industrial scale.

Taken in isolation, none of our countries is able to provide the financial means and human resources required by the technological revolution. I therefore acknowledge the importance of the Eureka project which France has launched, as well as the proposals submitted by the Commission to the European Council in Milan. The reaction of various major sectors of industry shows to what extent that project meets a need. The political leaders' meeting to be held in Paris in a few days' time should outline the cooperation structures and procedures which derive the greatest possible benefit from the Community dimension.

On behalf of the Presidency, I should like to thank the *ad hoc* Committee on a People's Europe for its work. An impressive number of concrete, constructive proposals have been made which all aim at:

- bringing the Community — too often seen as an abstract and even anonymous entity — closer to its citizens;
- showing that Europe is not confined to the liberalization of movements of goods and services but must become a living cultural, social and educational reality for its citizens, thus creating a real feeling of belonging to a great community.

The Presidency considers that the most effective line of action is to concentrate on the proposals already submitted to the Council concerning the reduction of regulations and practices and a number of new aspects which must be put into effect as a matter of priority. With regard to matters which fall within the Community's sphere of competence or for which responsibility is shared with the Member States, the Presidency expects the Commission to submit proposals in line with the wishes of the European Council. Five of the Member States — and I welcome the fact that Luxembourg is one of them — have already taken concrete steps to open up their frontiers. What five Member States have been able to achieve can be achieved by 10 now and 12 in the near future.

At the internal level, the iron and steel industry is certainly one of the sectors which has undergone the most serious socio-economic problems over the last few years. The Community has had to introduce an aid code, a system of production and supply quotas and a pricing system. These measures expire on 31 December 1985. In view of this time limit, the Presidency will endeavour, on the basis of the proposals submitted by the Commission, to carry out the task which is incumbent upon it up to the end of the year. I believe that the European iron and steel industry must be enabled to complete its restructuring under orderly market conditions.

In the field of energy, the Council has received an important communication from the Commission concerning new Community objectives for 1995. Discussions are already under way within the Council and a detailed examination will be continued throughout this six-month period.

Community regulation of State aid to the coal industry will expire at the end of the year and agreement should therefore be reached regarding the principle and nature of a system for the post-1985 period. That system will have to provide for the transition which is necessary for maintaining employment in this important basic sector of the European economy.

Other aspects of the Community's energy policy should also be discussed during this six-month period, in particular with regard to new developments in the spheres of natural gas, electricity and new and renewable sources of energy.

In the sphere of transport, the Council is devoting its full attention to the judgment given by the Court of Justice last May. The Presidency has already taken the necessary measures to step up the Council's proceedings. Priority will be given to the proposals already submitted or to be submitted by the Commission concerning freedom to provide services, in particular in the various spheres of international and national carriage of goods and passengers.

At the same time, efforts will continue to be made in the sphere of inland, inland waterway, air and maritime transport in order to implement the common transport policy which is essential for the harmonious operation of a vast internal market.

The protection of the environment has become a major cause of concern. We can no longer continue, as in the past, to destroy with impunity the delicate ecological balance upon which our existence depends. There is now awareness of this problem and considerable efforts have been made over the last few months to combat air pollution effectively, especially that caused by motor vehicles. As you know, these efforts have been widely successful. Agreement was reached between nine delegations scarcely two weeks ago concerning the setting of European standards for the emission of noxious gases by cars.

We expect to give form to this political agreement before the summer recess. To be sure, some people may feel—and I understand them—that greater and more rapid progress could have been made. But it must not be forgotten that the compromise which was achieved with difficulty has enabled us to maintain the unity of the internal market at the same time.

The Community's action cannot stop here. The Presidency proposes concentrating in future on the problem of emissions from large-scale combustion plants. We will moreover take the necessary action to put into effect the Commission proposal concerning forest protection in view of the challenge to the conservation of the environment which is set by the very complex phenomenon of acid rain and by forest fires.

With regard to consumer protection, the Commission has just sent the Council a communication—soon to be followed by proposals—which aims, 10 years after the definition of an initial strategy, at giving fresh impetus to Community action in this sphere. The European consumer

must be able to derive full benefit from the scale of a real internal market. It is also along those lines that the Luxembourg Presidency intends to continue examining the proposals still in abeyance.

The common agricultural policy is today dogged by an acute imbalance on the markets of most agricultural products. It is faced with a rapid and continuing increase in agricultural yields, while consumption is stagnating. And it has to contend with burgeoning expenditure on market support—a consequence of the imbalance which is becoming more and more incompatible with budgetary discipline.

Discussions have begun, and a wide-ranging debate is imminent on the medium and long-term prospects for the CAP and the adjustments it will require, allowing also for accession.

The objective must continue to be the development, through the gradual re-balancing of the agricultural markets, of a healthy and efficient European agriculture while complying with the basic principles of the CAP as enshrined in the Treaties.

The Presidency awaits the Commission's communication with great anticipation. And it intends to do its utmost to achieve progress in the examination of this matter.

Following the signing of the Accession Treaty the Council will also have to adopt measures to implement the transitional arrangements agreed on for various agricultural sectors.

In the social sphere, the Luxembourg Presidency is determined to see progress made on all the initiatives and proposals offering an effective means of combating the problem of unemployment, a scourge of society if ever there was one and an issue I mentioned a moment ago.

It will endeavour to break the deadlock on certain important questions and in particular on the Directive on informing and consulting the employees of undertakings with complex structures. Indeed, a large majority of the Member States believe that this Directive offers a valuable means of achieving significant progress on a Community scale.

The examination of the Directives designed to bring about equal treatment for men and women (parental leave, occupational social security schemes, self-employed activities) will be continued and if possible concluded.

In the context of external relations, four areas in particular call for our attention:

- First, the overall Mediterranean policy which the Community will seek to formulate and implement now that enlargement has been agreed on. The accession of Spain and Portugal will bring

a new dimension to the network of privileged relations which the Community maintains with its partners around the Mediterranean. It must give a real incentive to consolidate and stabilize the cooperation links established while adapting them to the new circumstances resulting from accession. On the basis of the proposals awaited from the Commission, the Presidency will seek to ensure that the future Mediterranean policy of the Community of Twelve meets these demands. It is in this spirit that the negotiations for adapting the various Mediterranean agreements must be approached.

- Secondly, the establishment of more structured relations with Central and Latin America. I shall have occasion to return to this subject in the section of my speech devoted to political cooperation.

- The consolidation of our relations with the Asean countries, where the political dialogue is now regularly and permanently established. Representatives of the Troika, at ministerial level, and of the Commission will, from tomorrow, be taking part in Kuala Lumpur in dialogue meetings together with the five Pacific countries. A further step will be taken in economic cooperation with the meeting—the first of its kind—of the Ministers for Economic Affairs of the EEC and Asean in Bangkok in October. Together they will consider ways and means of further strengthening and intensifying the economic ties between the two groups of countries.

- Finally, a review of the framework of multilateral trade relations and the development of our relations with the two great industrial powers, the United States and Japan.

The world economic crisis of the last decade has revived the alarming spectre of protectionism with its pernicious concomitant of market isolation and the drying up of trade flows. Protectionism is a temptation which threatens to stifle the recovery of the world economy. It strikes first at the poorest nations and those which have just reached the threshold of development. It is the quintessential role and duty of the European Economic Community to guarantee the maintenance of liberal practices in world trade.

In this connection, the new round of multilateral trade negotiations should be an important stage on the road to strengthening the multilateral trading system and the expansion of international trade. It is essential that our Community, the largest trading power in the world, should play its natural role here.

These negotiations should produce balanced results which serve the interests of all the parties, developed and developing countries alike.

Alongside the trade negotiations, concerted initiatives will have to be taken in the appropriate forums to improve the operation of the international monetary system and to guarantee the flow of financial and other resources to the developing countries.

In the recent past our trade relations with the United States have been marked by certain tensions which have given rise to specific measures. The Community deeply regrets this state of affairs and will endeavour to restore the traditionally friendly and liberal climate of relations between the two largest trading powers in the world. It is in no one's interest to become enmeshed in the machinery of unilateral measures at a time when, on both sides of the Atlantic, efforts are being made to strengthen the structures of GATT and to liberalize world trade in the new round of multilateral negotiations. I trust that our relations with the United States will continue in future to evolve in accord with the principles to which we are the first to subscribe.

Our relations with Japan continue to be dominated by an ever-growing imbalance. Japan shares with its Western partners the responsibility for safeguarding and strengthening the multilateral trade system of which it has been the great beneficiary. The Community will continue to demand easier access to the Japanese market, particularly in manufactured goods and processed agricultural products. It will also attach great importance to the liberalization of Japan's financial markets and to internationalizing the yen.

You will be aware of the recent initiative by Com-econ. The Council has asked the Commission to investigate its significance. The Council's reaction will be decided on in the light of the Commission's report.

As you know, a new dimension was added to our relations with the EFTA countries by the declaration adopted in Luxembourg in April 1984. This declaration must now be given practical substance. The Commission has recently informed the Council of its approach to this matter, which should enable some progress to be made on the creation of this "dynamic European economic space" which is the aim of the Luxembourg Declaration.

In addition, the Community will, in the coming months, have to negotiate with the EFTA countries the adaptation of the free trade agreements following the accession of Spain and Portugal.

In the area of development cooperation, priority will be given to aid by the Community and the Member States to the African countries so severely affected by drought, desertification and famine.

The objectives of the Dublin Plan have been achieved and, given the gravity of the situation and the enormity of the needs, their implementation has so far been satisfactory.

Unfortunately, a repetition of this disaster cannot be ruled out, and it is essential that the Community and the Member States adopt a preventive and consistent strategy of also helping the recipient countries to develop greater food security. Concrete proposals were put by the Commission to the European Council in Milan. The Presidency intends to have these examined without delay, and first of all the proposal concerning a special reserve allocation. It will also see to it, in collaboration with the Commission, that the programming provided for in the third Lomé Convention—the symbol of the continuity of a model of cooperation unique in the world—is carried out as soon as possible.

Having looked at external policy questions of a largely economic nature, I should like now to tackle the other facet of this policy, namely the so-called "foreign policy" matters which are dealt with in European political cooperation.

I shall not however abuse your patience by detailing here the positions of principle taken by the Ten on all these issues.

This would, indeed, be reminding Parliament of positions which are also, in substance, its own.

I shall therefore deal with foreign policy questions only in relation to the work we propose to carry out over the next six months.

The improvement of East-West relations, and in particular progress in disarmament, will of course be the Luxembourg Presidency's priority objective.

Like the Parliament, the 10 Governments have expressed their full support for the US-Soviet negotiations in Geneva.

They approve in particular the scale and the ambitiousness of the objectives which the Americans and the Soviets have set themselves, i.e. "to work out effective agreements aimed at preventing an arms race in space and terminating it on earth, at limiting and reducing nuclear arms and at strengthening strategic stability".

The second round of these negotiations, which promise to be long and difficult, will be ending in the next few days, probably without having achieved any appreciable progress.

It is up to the Ten to encourage the two parties not to neglect any opportunity for achieving substantial results.

Five days ago, the sixth session of the Conference on Confidence- and Security-building Measures and Disarmament in Europe came to an end, in Stockholm.

The East European countries have finally begun to show more interest in practical confidence- and security-building measures, but at the present stage their proposals are inadequate in content and, in part, do not comply with the terms of the mandate.

We hope that these positions will evolve and that it will then also be possible to reach agreement on the detailed procedures for a renewal of the commitment not to resort to force or to the threat of force.

In mentioning the Stockholm Conference I have already broached the subject of the CSCE process which is of such great importance for our Governments as it is for Parliament.

Another meeting convened in this framework has just ended in Ottawa, namely the meeting of experts on human rights.

This conference gave an opportunity for a frank and open examination of the observance by each of the participating States of its commitments on human rights as they result from the Final Act and the Madrid closing document.

However, it was unable to fulfil the second part of its mandate—'to draw up conclusions and recommendations to be put to the Governments of all the participating States'. Indeed, it ended without any closing document being adopted.

We are thus unquestionably faced here with a semi-failure which will cast a shadow over the commemoration of the 10th anniversary of the signing of the Final Act, which will take place in Helsinki on 30 and 31 July and 1 August.

Some will say, what's the use of celebrating this anniversary since balanced progress on each of the components of the CSCE process no longer seems to be guaranteed and the East European countries appear determined not to honour their commitments under the seventh principle of the Final Act?

However, I am at one with my colleagues from the other countries of the Community, and with those of the other Western countries, in believing that we must not miss the Helsinki boat.

The CSCE process must be maintained at all costs.

Even though the results over these last ten years have been extremely disappointing as regards human rights, some small progress has been made in the other fields covered by the Final Act.

Lastly, the Final Act, supplemented by the Madrid document, remains a means of exerting pressure

which will enable us to work towards improving the rights of individuals in the East European countries until the day comes, unfortunately probably a long time hence, when the authorities in those countries finally understand that "socialism" which has no regard for basic freedoms is no true socialism.

This anniversary will therefore enable us to reaffirm the value of the work done 10 years ago, to confirm our attachment to the "Charter for East-West Relations" which the Final Act represents and to emphasize the need for every aspect of that document to be applied on a parallel basis.

We will, moreover, in the same spirit, marked both by disappointment and the will to persevere, be celebrating the fortieth anniversary of the UN Charter in New York this autumn; all too often the basic precepts of this document, too, have been violated, although it is still the essential basis for the peaceful and orderly coexistence of the peoples of this planet. This will provide us with the opportunity to draw attention to the extreme importance which we attach to respect for human rights throughout the world.

During the next six months the Ten will be pursuing their firm policy of establishing relations which are as constructive as possible not only with the Soviet Union but with each Warsaw Pact country.

In this connection, I feel I have to state how extremely disappointed we feel with developments in the situation in Poland, where the last remaining attainments of the period prior to the declaration of martial law are now being eliminated. The Ten will have to consider the conclusions to be drawn from these negative developments.

Before moving on from the field of East-West relations, I would like to reiterate most strongly that we still demand that the occupation of Afghanistan by the Soviet Union and the occupation of Cambodia by Vietnam be brought to an end and that an immediate stop be put to inadmissible incursions into the territory of neighbouring countries.

In the Middle East, the hope which sprang to life in February, when the Jordano-Palestinian platform for a peaceful and just settlement to the Israeli-Arab conflict was agreed is still extant.

It has led to an impetus regarding which Egypt and the United States have expressed their interest and support.

The Ten, for their part, feel that every opportunity which may arise as a result of the Amman declaration should be studied and that no effort should be spared to maintain and intensify the present stage of movement in the peace process.

At the same time they intend to facilitate the opening of a dialogue between all parties to the conflict. Given an atmosphere marked by a degree of movement in the positions, it should in fact be possible to expect the region as a whole to show willingness to encourage and increase such movement.

The question of a forum capable of contributing to a genuine reconciliation remains open. Could not the United Nations, and more specifically the Security Council, offer all interested parties the possibility of contact and valuable guarantees as regards a fair balance?

Israel's decision to withdraw its army from Lebanon, unfortunately not yet completed, is an essential element in a solution to the internal conflict dividing that country. However, other conditions must be fulfilled before there can be any real question of such a solution, in particular general acceptance of a balanced situation in Lebanon and the opening of a genuine dialogue between the Lebanese communities.

When will the Lebanese be willing or able to take stock of the damage and put their heads together about their common interests with a view to agreeing on a peaceful future?

War is not predestined; nor is it in the conflict between Iran and Iraq. What, now, is the purpose of that bitter war? The Ten are seriously concerned about the situation in the Gulf, and will support any attempt to mediate in the conflict, particularly the efforts of the United Nations Secretary-General. In their own contacts, the Ten will press for an honourable negotiated solution which is acceptable to both sides.

As a result of enlargement and of the declaration on relations with Latin America annexed to the Accession Treaty, the development of the Community's relations with these countries, most of which have considerable economic problems, will take on increased importance.

Our relations with the Central American countries will certainly be in the forefront, as the conflicts dividing that region are of international significance. The Presidency intends to pursue and enlarge on the talks entered into at the Conference of San José in Costa Rica.

The negotiation of an economic and political cooperation agreement in good and due form between the Community and the countries of Central America should play a part, as Parliament expressly hoped in a resolution passed at its June part-session —and I quote—“in safeguarding lasting peace in the region, combating poverty, achieving human rights, social justice and democratic struc-

tures and extending the economic relations of the European Community”.

We remain convinced that the peace initiative of the Contadora Group is the only way towards peace and greater stability in the region. We shall continue to give our active support to that initiative and its objectives. With that end in view we shall make every effort to arrange, under the Luxembourg Presidency, a second conference along the lines of the one held in San José.

In the mean time, the Luxembourg Presidency would like to call on the countries of Central America not to wait for the signing of the Contadora Act before bringing into effect the provisions of that Act which relate to the observance of human rights. I am sure that this would have a profound effect on the political climate in the region and beyond.

The situation in Africa, the famine, delayed economic development and the great human misery of so many of the inhabitants of that continent have prompted an encouraging supportive reaction from many Europeans. As Parliament's debates on measures to combat hunger in Africa have shown, one big effort will not be enough, when the emaciated faces of the famine victims will haunt us for a long time to come. The measures taken by the Ten in this context will therefore have to be followed up, particularly with regard to the structural causes of the famine.

From a strictly political point of view, the spotlight is still on southern Africa and especially South Africa.

The Ten regret the negative developments in the region. They condemn all acts which run counter to dialogue, such as South Africa's incursions into neighbouring countries. They refuse to recognize the validity of the unilateral decisions taken by South Africa in Namibia.

Within the Europe of the Ten a vigorous movement of opposition to the policy of apartheid rightly continues its battle for the recognition of human rights. The European Parliament has discussed the situation in South Africa and has condemned the wave of repression and violence which has been flowing through that country for many months now. The Governments of the Ten will, as in the past, stand firm in their rejection of apartheid and remain fundamentally opposed to that regime.

The question of a review of the code of conduct for South African subsidiaries of European firms will be discussed among the Ten with a view to increasing the scope and effectiveness of the code.

During the months to come special attention will also have to be paid to the positions adopted by spokesmen for the black community in order to judge what scale of action by the Ten to combat apartheid would be appropriate.

Finally I should like to stress that the Ten are deeply concerned at the resurgence of terrorism and aircraft hijackings.

No political cause can justify murders, bomb attacks, the hijacking of aircraft or the taking of hostages.

We are calling in particular for the immediate and unconditional release of all the hostages still held in Lebanon.

The Justice or Interior Ministers meeting in Rome on 20 and 21 June 1985 adopted a series of conclusions which we have noted with satisfaction.

It is now up to the Foreign Ministers, meeting in political cooperation and in collaboration with the other relevant Ministers, to examine as a matter

of urgency the possibility of drawing up stricter international standards for security at airports and aboard aircraft.

The outline which I have just given of the Luxembourg Presidency's programme had to be confined to what I felt was essential, yet it is doubtless still open to criticism as an over-lengthy list of diverse subjects.

To hold the Presidency of the Community today is a task as difficult as it is exciting. This is even truer for the smallest of the Member States. Luxembourg's European conviction and commitment are well known and we shall be taking on the task which awaits us over the next few months with enthusiasm and real motivation.

The support and drive of the European Parliament will be indispensable to us. Only by working together and in harmony will we be able to progress towards a more united, integrated and human Community.'

