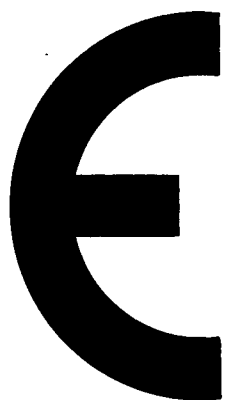


Bulletin

OF THE EUROPEAN COMMUNITIES

Commission



No 5 1986

Volume 19

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.

Reproduction is authorized provided the source is acknowledged.

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 1-1986, 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 5
1986
Volume 19

Sent to press in September 1986

contents

Obituary: Altiero Spinelli	5
----------------------------	---

PART ONE **SPECIAL FEATURES**

1. The Chernobyl accident	9
2. Programme for the liberalization of capital movements in the Community	13
3. Western Economic Summit in Tokyo	17

PART TWO **ACTIVITIES IN MAY 1986**

1. Building the Community	20
— Economic and monetary policy	20
— Internal market and industrial affairs	21
— Steel	24
— Research and technology	27
— Industrial innovation and the information market	32
— Customs union	32
— Competition	33
— Financial institutions and taxation	36
— Employment, education and social policy	38
— A people's Europe	45
— Regional policy	47
— Environment and consumers	49
— Agriculture	53
— Fisheries	58
— Transport	60
— Energy	61

2. External relations	63
— New round of multilateral trade negotiations	63
— Commercial policy	64
— Relations with industrialized countries	66
— Relations with other countries and regions	69
• Mediterranean countries	69
• Asia	71
• Latin America	71
• State-trading countries	72
• — Development	72
• — International organizations and conferences	77
3. Financing Community activities	78
4. Political and institutional matters	79
— Political cooperation	79
— European policy and relations between the institutions	80
— Institutions and organs of the Communities	81
• Parliament	81
• Council	85
• Commission	86
• Court of Justice	87
• Court of Auditors	93
• Economic and Social Committee	93
• European Investment Bank	97

PART THREE DOCUMENTATION

1. ECU	102
2. Additional references in the Official Journal	103
3. Infringement procedures	105
4. Western Economic Summit	106

Supplements 1986

- 1/86 Programme of the Commission for 1986
- 2/86 Single European Act
- 3/86 Equal opportunities for women — Medium-term Community programme 1986-90
- 4/86 Community action in the field of tourism
- 5/86 The Community's broadcasting policy — Proposal for a Council Directive
- *6/86 A new impetus for consumer protection policy

* In preparation.

Altiero Spinelli

Altiero Spinelli died in Rome on 23 May. He was 79.

A dedicated anti-fascist, he was imprisoned for ten years and kept under house arrest for six years during the Mussolini regime. He was expelled by the Italian Communist Party in 1937. In 1941, from the island in the Tyrrhenian Sea on which he was confined, Spinelli issued his Ventotene Manifesto, the European federalist statement which was to be the ideological and philosophical basis for all his later life and work.

On his release in 1943 he founded the European Federalist Movement in Milan and was its Secretary-General from 1948 to 1962.

After serving as Pietro Nenni's adviser at the Italian Foreign Ministry in 1968 and 1969, Spinelli was appointed Member of the Commission of the European Communities in 1970, where he held special responsibility for industrial affairs (and, in his first term, research and technology). He resigned from the Commission in 1976 upon his election to the Italian Chamber of Deputies as an independent on a Communist Party list. He was at once designated a member of the European Parliament too, and when Parliament was first elected by direct universal suffrage in 1979 he was returned as an elected member, retaining his seat at the second direct elections in 1984.

Altiero Spinelli was concerned that the directly elected Parliament should now adopt a grand design, commensurate with its role, and that it should be identified with that design. The idea of an elected Parliament that would be a constituent assembly, which he had championed as a militant federalist, was an idea to which Spinelli would seek to give substance as a member of the European Parliament.

And so began the long and single-minded campaign which saw him form the Crocodile Club in the newly elected House, secure well-nigh unanimity in setting up the Institutional Affairs Committee and finally serve as the Committee's general rapporteur. This constant endeavour was ultimately rewarded when at the beginning of 1984 Parliament adopted the draft Treaty of European Union by an overwhelming majority.

So limited was the Single European Act concluded by the Governments that Altiero Spinelli continued until the end formulating new ideas that would keep the objectives of the draft Treaty always before us and reaffirm Parliament's role as the key to a federal Europe.





PART ONE

SPECIAL FEATURES

Bulletin information service

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

London	222 8122
Belfast	240708
Cardiff	371631
Edinburgh	225 2058
Dublin	712244

References in text and footnotes

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

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

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

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

1. The Chernobyl accident

Measures adopted at Community level¹

1.1.1. In the night of 25/26 April a major accident — probably the most serious ever recorded — occurred at the Chernobyl nuclear power station in the Ukraine. In view of the resulting radioactive fall-out it was felt to be imperative that the Community adopt appropriate measures concerning both trade between Community countries and imports from outside. Indeed, the level of fall-out in the vicinity of the power station, in certain neighbouring countries and within the Community was likely to be such that danger could arise from the consumption of items such as meat, fresh milk and milk products and freshwater fish. Some Member States had already taken measures in this regard. It became necessary at that point to adopt common emergency measures to cope with the situation with a view to preserving the unity of the common market and forestalling any deflection of trade in the Community, while providing protection for consumers.

Immediate measures

Measures to be applied until 31 May

1.1.2. On 7 May, under its own decision-making powers, the Commission adopted a Decision suspending until 31 May the importation of bovine animals, swine and fresh meat from seven countries with territories within a radius of 1 000 km from the site of the accident: Bulgaria, Czechoslovakia, Hungary, Poland, Romania, the Soviet Union and Yugoslavia.²

As regards a number of other food products on which decision-making is the responsibility of the Council (fruit and vegetables, milk and milk products, fresh meat, animals for slaughter, game and freshwater fish), the Commission put up a proposal on 6

May for a Regulation suspending imports from six of these countries until 31 May.³

The Council adopted the proposal on 12 May, extending its scope to cover other live animals (poultry and rabbits), meat and edible meat offals and to include Yugoslavia.⁴

Lastly, in respect of foodstuffs marketed within the Community, the Commission addressed to the Member States a recommendation setting out, on the basis of the available scientific data, the tolerance limits to be observed in intra-Community trade in the most sensitive products and calling upon the Member States not to export products which they would not allow to be sold on the home market and to acknowledge each other's checks.⁵ The Member States failed to agree on common levels, but did adopt, also on 12 May, a Statement reading as follows:

'Until such time as agreed values based on available scientific data have been defined, the Member States undertake not to apply to agricultural products and foodstuffs coming from other Member States maximum permitted levels which are more restrictive than those applied in the case of national products.

The Member States acknowledge the checks being carried out by the exporting Member States to that end, and undertake not to impose specific requirements for imports.

They also undertake to send the Commission comprehensive data on radioactivity levels in their territories and on public health measures they are applying nationally.

The Council would ask the Commission to draft proposals as soon as possible, on the basis of the appropriate provisions of the Euratom Treaty, to supplement basic standards for public-health protection, and also to propose to the Council a procedure for dealing with similar emergencies in the future.'

¹ For the warning to travellers published by the Presidency (political cooperation) and the statement issued at the Western Economic Summit in Tokyo, see points 2.4.3 and 3.4.2.

² OJ L 120, 8.5.1986.

³ COM(86)276 final.

⁴ OJ L 127, 13.5.1986.

⁵ OJ L 118, 7.5.1986.

Measures to be applied after 31 May

1.1.3. On 23 May the Commission presented to the Council a proposal¹ for measures to apply after the expiry on 31 May of the suspension of imports of fresh agricultural products from seven countries imposed by the Council on 12 May.

The Council adopted the proposed Regulation on 30 May,² changing the radioactivity levels and the date of expiry suggested by the Commission. The new arrangements differ considerably from the previous ones. The suspension of imports is replaced by a check on imports on the basis of maximum permitted levels. The accumulated maximum radioactivity due to caesium-134 and -137 must not exceed 370 becquerels/kg for milk and food preparations for infants and 600 becquerels/kg for all other products concerned. Furthermore, the checks are applicable to all fresh and processed agricultural products (and no longer only to certain fresh products) and to all non-member countries.

Member States are required to check compliance with the maximum tolerances, taking account of contamination levels in the country of origin. Each Member State must provide the Commission with all information concerning the application of the new Regulation, which expires on 30 September 1986.

On the same day the Council also approved a declaration establishing the principle of parallelism between the tolerances adopted for imports and those to be complied with in the case of Community production and also confirming the request made to the Commission on 12 May to supplement the Euratom health-protection standards with appropriate standards relating to radioactivity in foodstuffs.

The text of the declaration is as follows:

'The Member States undertake not to apply maximum tolerances to agricultural and processed products for human consumption originating in other Member States which are more stringent than those applied to such products originating

in third countries under the new Regulation. In addition, the Member States recall their statement of 12 May 1986 in which they gave an undertaking not to apply maximum tolerances to such products originating in other Member States which were more stringent than those applied to domestic products.

The Council calls upon the Commission to submit forthwith, on the basis of the appropriate provisions of the Euratom Treaty, particularly in accordance with the procedure provided for in Article 31 thereof, precise and comprehensive proposals to supplement the standards relating to the protection of the health of the general public against the dangers arising from ionizing radiation either directly or indirectly through ingestion of foodstuffs.

The Council agrees that arrangements with regard to third countries will be adjusted in keeping with any future internal Community arrangements.'

Longer-term measures contemplated by the Commission

1.1.4. The President and the appropriate Members of the Commission placed before the Commission a joint memorandum on measures to be taken within the Community following the accident at Chernobyl. Various suggestions had been put to the Commission by Governments, and requests had been made by the Council itself at its meeting on 12 May. Joint action by all the Directors-General concerned had produced exhaustive documentation on the status in the Community with regard to nuclear safety and health protection and on the instruments at the Commission's disposal for the purpose of Community action.

On that basis, after extensive discussion, the Commission decided that a communication on the implications of the Chernobyl accident should be sent to the Council and the other institutions concerned early in June. This would illustrate the need for measures in the fields of health protection, the safety of nuclear installations and their operation, crisis procedures, international action and research.

¹ COM(86)318 final.

² OJ L 146, 31.5.1986.

Resolutions adopted by Parliament

1.1.5. On 15 May an emergency debate in the European Parliament was devoted exclusively to the Chernobyl nuclear disaster. It was preceded by an extraordinary meeting of the Committee on Energy, Research and Technology, attended by many members of the Committee on the Environment. During the meeting, at which several Members of the Commission were present too, three main trends of opinion emerged with regard to nuclear energy: improvement of safety measures in the broad sense (Centre-Right groups); a change of direction on energy policy and progressive reduction of nuclear energy production (Socialist and Communist groups); and the immediate shutting down of all nuclear power stations and development of alternative sources of energy (Rainbow Group).

There were considerable divergences between the groups with regard to the — unanimously deplored — lack of information from the competent authorities concerning the extent and repercussions of the nuclear accident. Whereas the Centre-Right concentrated its criticism on the Soviet Union, the Socialists, and particularly the Ecologists, evinced a general scepticism with respect to all the Governments. In that context, a measure of hope was expressed that the Commission could play a more independent and more objective role in the interest of the public.

Mr Nicolas Mosar, Member of the Commission with special responsibility for energy, and Mr Stanley Clinton Davis, Member with responsibility for the environment, consumer protection and nuclear safety, took part in the debate.

Mr Mosar stated that the Commission was resolved to apply the lessons that had been learnt from the incident. However, to those who were asking the Commission to prepare forthwith a plan for the phasing-out of nuclear energy, he replied that such a move would give rise to very serious problems. That said, Mr Mosar took the view

that nuclear energy, whose economic benefits he stressed, could continue to play an important role in the Community only if its citizens felt that their safety was guaranteed. In that connection the Community would have to reflect urgently on two issues: the immediate transposition of the IAEA guidelines into Community law and the possibility that the Member States could go appreciably further than they had hitherto when drawing up nuclear safety standards.

Mr Clinton Davis said that the Commission's powers with regard to the monitoring of nuclear safety were not restricted to cases of accident: they were exercised on a day-to-day basis. He indicated the measures needed to improve the situation in this field: the Commission would have to request information more frequently from the Member States on radiation levels in the environment; in the event of a serious nuclear accident, the Commission would have to be able to act more rapidly than it had done in the case of Chernobyl; finally, it would have to ensure compliance with the maximum permitted limits for foodstuffs.

Twelve motions for resolutions were put down by the various groups for the emergency debate, but only two of them were passed when it came to the vote. A compromise resolution tabled by the European People's Party, the Liberals, the European Democrats and the European Renewal and Democratic Alliance was adopted by a large majority (263 to 30, with 30 abstentions) and a resolution moved by the European People's Party on the repercussions of the accident on agriculture was approved by 153 votes to 118, with 24 abstentions.

The motions presented by the Left, Rainbow and Right groups were either defeated or withdrawn by their authors after being altered 'out of all recognition' by the amendments of the Centre-Right.

The Committee on Energy, Research and Technology and the Committee on the Environment announced their intention to request that an extraordinary session be held on the subject of nuclear energy towards the end of 1986 or early in 1987.

The texts of the two resolutions adopted by Parliament are as follows:

Resolution on Chernobyl

'The European Parliament,

...

1. Expresses its solidarity with the victims of this tragedy and requests the Commission to offer food, health and technical aid to the countries affected by the Chernobyl accident;

2. Condemns the unacceptable attitude of the Soviet authorities which refused to provide prompt and precise information to the countries concerned on the development of the situation, thus endangering the population of those countries;

3. Requests the Soviet Union immediately to provide all the information needed to make a precise assessment of the circumstances in which the accident occurred and the conditions prevailing in the disaster area so that all the requisite measures can be taken for the protection of the public;

4. Requests the Commission to report to it as rapidly as possible on the circumstances of the accident and on the medium- and long-term implications for the health of the people of the Community and for the environment;

5. Requests the Member States and the Commission carefully to examine the provisions of the Euratom Treaty with a view to adapting it to the new requirements of cooperation between all the countries;

6. Deplores the absence of any binding international rules on civilian safety and the fact that each country has sole responsibility for ensuring the protection of its own population through its own legislation;

7. Requests the Member States and the Commission:

(i) to formulate a common position with a view to rapid negotiation of international rules requiring States to report immediately to the IAEA on all accidents,

(ii) to implement effective inspection mechanisms at international level,

and requests, in this connection, the setting-up of an international coordinating authority which would guarantee the intervention of highly quali-

fied specialists and experts in any country in the world in the event of accident or terrorist attack;

8. Requests the Member States to adopt common standards in respect of the design, operation and safety of nuclear power stations, the possible decommissioning of obsolete power stations, the transport and evacuation of nuclear waste and the effective monitoring of these operations by the IAEA;

9. Requests the Commission, in agreement with the IAEA, to organize an international conference, before the end of the year, on nuclear safety and protection with regard to the public;

10. Instructs its President to forward this resolution to the Council, the Commission, the IAEA and the Government of the Soviet Union.'

Resolution on the adverse repercussions of the Chernobyl nuclear disaster on the agricultural sector

'The European Parliament,

...

1. Calls for the entire problem to be examined as a matter of urgency by the Ministers for Agriculture and Health meeting jointly in the Council, with a view to laying down the common and unambiguous safeguards required to restore a proper climate of mutual trust;

2. Demands that the maximum radiation limits applicable to foodstuffs for human consumption should be set by the Member States on a uniform basis and at absolutely safe levels for human health, and that these limits should apply to both foodstuffs produced in the Community and those imported from abroad;

3. Calls on the Ministers for Agriculture to arrange immediately for the damage to be identified and evaluated, so that fair compensation may be made to injured parties;

4. Calls on the Commission to report to it within four weeks;

5. Calls on the Foreign Ministers meeting in political cooperation to notify the Soviet authorities of all the consequences which have ensued for the European Community as a result of the accident and to claim compensation for all the damages suffered;

6. Instructs its President to forward this resolution to the Council and the Commission.'

2. Programme for the liberalization of capital movements in the Community

Commission communication

1.2.1. On 21 May the Commission adopted a communication to the Council setting out a programme for the liberalization of capital movements in the Community.¹ A uniform financial area needs to be established as part of the moves towards the creation of a large internal market by 1992² — an objective laid down in the Single Act;³ this is a necessary condition for the strengthening of monetary cooperation and the further development of the EMS⁴ and the ECU,⁵ and it will also contribute to the achievement of a people's Europe.⁶

A twofold objective

Removal of financial and monetary obstacles to the creation of a large internal market

1.2.2. As regards the creation of the large internal market, a major drive is already under way to remove technical, administrative and legal obstacles to trade: harmonization of standards; opening up of public procurement; elimination of unwarranted frontier checks; approximation of indirect tax systems. It would be difficult to imagine capital movements not being involved in this exercise.

Creation of a Community-wide financial area

1.2.3. To be specific, the liberalization of capital movements should enhance the attractiveness of a Community-wide financial area for the world at large.⁷ It should prompt the financial centres in the Community to develop a full range of instruments that incorporate the latest techniques.

The liberalization of capital movements should thus make it possible to mobilize savings in Europe on a broader scale, to be used at low cost to finance investment and create jobs.⁸

A progressive approach

1.2.4. Liberalization cannot be carried through in disregard of the diversity of economic circumstances in the Member States, which are unequally placed when it comes to tackling liberalization of capital movements, irrespective of whether it is a matter of accepting the risks it represents for external payments or seizing the opportunities it affords for internal development. It was for this reason that the Treaty of Rome here envisaged a cautious, progressive approach based on the moves towards economic integration in the Community. With the progress that has been made since 1962, when the most recent general Directive on capital movements was adopted,⁹ it is now possible to take further steps forward, and these are described in the communication as part of a medium-term approach.

The progressive nature of the general approach envisaged will not though be sufficient to allow full account to be taken of the differences between Member States, which are rooted in history or stem from their particular economic situations. A further way to tackle these difficulties is to

¹ COM(86)292 final.

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

³ Supplement 2/86 — Bull. EC.

⁴ OJ L 290, 1.11.1985; Bull. EC 10-1985, point 2.1.4.

⁵ Bull. EC 4-1985, point 2.1.1; Bull. 6-1985, point 2.1.6.

⁶ Supplement 7/85 — Bull. EC.

⁷ Bull. EC 4-1983, point 1.2.1 *et seq.*

⁸ Bull. EC 4-1983, point 1.3.1 *et seq.*

⁹ The Directives of 11 May 1960 and 18 February 1962, application of which has been suspended to a significant extent in a number of Member States by virtue of the protective clauses provided in Article 108(3) of the EEC Treaty.

apply protective clauses in a balanced fashion, although the difficulties must be looked at in a broader and more dynamic context. This context is provided by the Single Act,¹ which puts achievement of the internal market and the development of cohesion between Member States in tandem, in particular through application of all the structural instruments and increased efforts to foster economic, financial and monetary cooperation.

To this end, the proposed programme envisages two stages: the interlinking of financial markets and the liberalization of all monetary and financial flows.

Linkage of financial markets

1.2.5. In an initial stage, the aim is to achieve effective liberalization throughout the Community of the capital transactions most directly necessary for the proper functioning of the common market and for the linkage of financial markets.

This means first of all dismantling progressively the existing derogations from Community obligations already in force. With this in mind, the Commission will very shortly take steps to repeal or amend the decisions which were taken pursuant to Article 108(3) of the Treaty and from which France and Italy currently benefit.

The liberalization requirements will then need to be extended to include long-term commercial credits and all transactions involving the acquisition and issue of financial securities. The Commission's proposal for a Directive will be transmitted to the Council at the beginning of the summer.

1.2.6. This first stage will be of benefit to savers in the Community, who will be able to diversify their long-term investments and take a direct part in the economic development of the Community. It will also open up new opportunities for firms. For example, financial institutions specializing in the placing of venture capital will be able to do

business throughout the Community, and this will act as a spur to firms to become more competitive.² Similarly, promoters of major European projects in the field of infrastructures or industrial cooperation will be able to take advantage immediately of the opportunity open to any company in a particular Member State to issue new securities on the different financial markets.

Liberalization of all monetary and financial flows

1.2.7. In a second stage, the principle of full liberalization of capital movements would be recognized, with account being taken of the different structural and cyclical situations encountered by Member States. Liberalization would thus extend to all financial and monetary transactions. As a result, the remaining obstacles to the free movement of financial services (use of various lending instruments such as mortgage credit, opening of deposit accounts, use of means of payment now in wide use) stemming from exchange controls would be removed. In view of the frequency of such transactions and because of their role in everyday life, this would constitute an important step in the direction of a people's Europe,³ as envisaged at a number of European Council meetings.⁴

To this end, the Commission will transmit to the Council during the first half of 1987 a proposal for a Directive based on a forward study upon which it is now embarking — in close association with the Community's specialized bodies — on the implications of full liberalization of capital movements for monetary cooperation and on its interrelationships with other aspects of the internal market.

¹ Supplement 2/86 — Bull. EC.

² Bull. EC 2-1986, point 1.4.1 *et seq.*

³ Supplement 7/85 — Bull. EC.

⁴ Bull. EC 3-1985, point 1.2.7; Bull. EC 6-1985, point 1.2.3.

Table 1 — *Capital movements and current payments under Community law: present arrangements and liberalization timetable proposed by the Commission*

	Present arrangements	First liberalization phase	Second liberalization phase
1. <i>Capital movements</i>			
LIST A	Unconditional liberalization; ¹		Unconditional liberalization ¹ and elimination of all discriminatory treatment and the possibility of a dual foreign exchange market
Direct investments	Possibility of a dual foreign exchange market only if there are no appreciable and lasting differences between exchange rates		
Investments in real estate			
Personal capital movements			
Short-term/medium-term commercial credits and sureties connected with them			
Transfers in performance of life assurance and credit insurance contracts			
Transfers of monies required for the provision of services			
LIST B			
Acquisition of securities dealt in on a stock exchange and of units of coordinated UCITS	Possibility of a dual foreign exchange market	Possibility of a dual foreign exchange market only if there are no appreciable and lasting differences between exchange rates	
LIST C	Conditional liberalization ²	Unconditional liberalization; ¹	Idem
Admission of securities to the capital market		Possibility of a dual foreign exchange market only if there are no appreciable and lasting differences between foreign exchange rates	
Acquisition of securities not dealt in on a stock exchange			
Long-term commercial credits and sureties connected with them			
Medium-term/long-term financial credits and loans and sureties connected with them		Conditional liberalization ²	
LIST D	No Community obligation		Idem
Monetary transactions: acquisition of short-term securities short-term financial credits and loans opening of deposit accounts with financial institutions			

Table 1 (Continued)

	Present arrangements	First liberalization phase	Second liberalization phase
2. <i>Current payments</i>	Each Member State must authorize current payments within the Community in the currency of the Member State in which the creditor or beneficiary resides (Article 106(1)). All restrictions on such payments have in principle been eliminated since the end of the transitional period (Articles 106(2) and 67(2)). However, a 'grey area' remains, since certain measures regulating these payments (e.g. ban on forward cover) are not specifically covered in Community legislation, which means that a case-by-case examination must be made of whether they constitute genuine restrictions		All rules and regulations governing payments become superfluous

¹ Unconditional liberalization means that Member States are required to authorize capital transactions between Community residents and transfers made in connection with such transactions.

² Conditional liberalization permits Member States to retain or reintroduce restrictions on capital movements which existed on the date the Directive on capital movements came into force (11 May 1960) or, in the case of the new Member States, on the date of their accession.

Statement by the Commission President

1.2.8. In presenting this programme the President of the Commission, Mr Delors, stated that, notwithstanding the complexity of the subject, it should be regarded as a test of Community dynamism and should be seen in three contexts: creation of the large European market without frontiers; reinforcement of the EMS and the role of the ECU; a people's Europe.

The President also pointed out, however, that the liberalization of capital movements had to be incorporated into Community legislation in full awareness of economic realities: it would serve no purpose to apply to the Member States provisions which they would not be in a position to implement.

Progress towards liberalization therefore needed to be accompanied by, firstly, temporary derogations for some Member States and a protective clause to enable them to deal with possible difficulties and, secondly, reinforcement of economic and social cohesion, that is to say, a minimum degree of solidarity between Member States, to assist the less prosperous countries in particular. In Mr Delors's view, this solidarity should not be reflected solely in the strengthening of the Community's structural Funds but also in more extensive use of the financial and monetary support instruments at the Community's disposal. To that end, he announced proposals designed to enable such instruments to be used not only in the event of crisis but also to help create the conditions necessary for the building of a unified financial market.

3. Western Economic Summit in Tokyo

1.3.1. The Western Economic Summit, the 12th in an annual series of meetings of twelfth of State or Government of the seven major industrial democracies that began at Rambouillet in 1975, was held in Tokyo from 4 to 6 May.¹

Mr Yasuhiro Nakasone, the Prime Minister of the host country, chaired the meeting. The Community was represented by Mr Ruud Lubbers, the President of the Council, and Mr Jacques Delors, the President of the Commission.

Preparations for the Tokyo Summit had been made at meetings of the personal representatives of those taking part ('sherpas') and at two Council meetings — one on foreign affairs on 21 and 22 April, the other on economic and financial affairs on 28 April. The Summit ended with the adoption of four declarations: an economic declaration, a statement on the implications of the Chernobyl nuclear accident, a statement on international terrorism and a declaration entitled 'Looking forward to a better future'.²

Conclusions

1.3.2. The lengthy economic declaration reaffirms the undertaking given at the 1982 Versailles-Summit³ to cooperation with the IMF in strengthening multilateral surveillance of the policies pursued by the seven participating countries and calls for improved monetary coordination. It also provides for the Group of Five to be extended to include Italy and Canada whenever the management or improvement of the international monetary system and related economic measures are to be dealt with. The declaration also refers to the agreement to set up a new Group of seven Finance Ministers, including those of Italy and Canada, who are to work together more closely and more frequently in the periods between the annual Summit meetings. The declaration devotes much space to aid to developing countries, particularly to the debtor countries and Africa, emphasizing the need

for them to adopt effective structural adjustment policies. The Seven undertake to work at the GATT ministerial meeting scheduled for September to make decisive progress towards the launching of the new round of multilateral trade negotiations, and make clear their concern about the consequences of agricultural surpluses.

In the statement on the implications of the Chernobyl nuclear accident, each of the seven industrialized countries undertakes to meet exacting standards and to provide promptly detailed and complete information on nuclear emergencies and accidents, in particular those with potential transboundary consequences. They call for the early elaboration of an international convention committing the parties to report and exchange information in the event of nuclear emergencies or accidents on the basis of IAEA guidelines.

The third statement condemns international terrorism in all its forms and emphasizes that it must be fought through determined and tenacious action combining national measures with international cooperation.

Finally, in 'Looking forward to a better future', the seven countries reaffirm their common dedication to preserving and strengthening peace and, as part of that effort, to building a more stable and constructive relationship between East and West; they pledge themselves afresh to fight against hunger, disease and poverty, so that developing nations can also play a full part in building a common, bright future; they proclaim their commitment to work together for a world which respects human beings in the diversity of their talents, beliefs, cultures and traditions.

¹ Previous Summit: Bull. EC 5-1985, points 2.1.1, 2.2.19, 3.4.1 and 3.4.2.

² All four are reproduced *in extenso* at point 3.4.1 *et seq.*

³ Bull. EC 6-1982, point 3.4.2.

Statements by Community representatives


1.3.3. After the close of the Tokyo Summit the President of the Commission, Mr Jacques Delors, and the President of the Council, Mr Ruud Lubbers, held a joint press conference.

Mr Lubbers, who restricted his remarks to economic matters, emphasized that the participants had agreed to pursue policies along the lines laid down in previous years, which had led to relatively strong non-inflationary growth. Mr Delors stated that there had been no conflict between the Seven on multilateral trade issues but rather a common resolve to launch upon the new round of negotiations. With regard to agriculture, he commented as follows: 'We have had a long discussion which has not been without its difficulties, but it seems to me — and Mr Lubbers had played a decisive part in this — that it will be possible to have a fruitful exchange of views on the future situation with regard to supply and demand in agriculture'. He regretted that

no progress had been made in solving the problems of indebtedness and development. As regards energy, he observed: 'I have only one regret, which is that we did not have time to discuss the medium-term prospects for energy'.

In conclusion, Mr Delors expressed satisfaction with the progress made on monetary matters; the economic declaration adopted at the end of the Summit contained ideas for which he had himself argued — hitherto unsuccessfully — for the past five years, namely the call for global surveillance, discreet consultations and an increased role for the IMF. 'Speaking for the Commission, I am very pleased', he continued, 'that these ideas have now been adopted by the United States'.

Asked about the Group of Seven, Mr Delors replied: 'The Group of Five, the Group of Seven and the Group of Ten will all carry out their respective tasks. In the Commission's view, what is important is that the three groups should get down to work and restore calm to foreign exchange markets. The present need is for swift action'.

A large circle with a double-line border, centered on the page. Inside the circle, the text "PART TWO" is written in a spaced-out, outlined font. Below it, the text "ACTIVITIES IN MAY 1986" is written in a bold, solid font.

PART TWO

**ACTIVITIES
IN MAY 1986**

1. Building the Community

Economic and monetary policy

Western Economic Summit

2.1.1. The 12th Western Economic Summit was held in Tokyo from 4 to 6 May (→ point 1.3.1 *et seq.*).¹ At the end of the meeting, the Heads of State or Government of the seven industrialized countries taking part and the representatives of the Community issued an 'Economic Declaration' (→ points 1.3.2 and 3.4.1).

2.1.2. On 14 May Parliament adopted five resolutions on the outcome of the Tokyo Summit, with particular reference to international economic cooperation (→ point 2.4.11).²

Free movement of capital

Programme for the liberalization of capital movements in the Community

2.1.3. On 21 May the Commission adopted a communication to the Council setting out a programme for liberalizing capital movements in the Community (→ points 1.2.1 *et seq.*).

2.1.4. On 15 May the French Government announced measures to liberalize capital movements in three fields: the abolition of the investment currency arrangements, which obliged individuals and firms to purchase the foreign currency required for purchasing foreign securities (denominated in foreign currencies) on a special market; freedom for individuals to transfer their assets when they move abroad; and freedom to make gifts to non-residents. These measures are in conformity with the line taken by the Commission when, in 1984, it reviewed the Decision authorizing France to continue to apply restrictions on capital movements.³ In its 1984 Decision, the Commission made it clear that it would undertake a general re-examination of this derogation with a view to removing it before the end of 1986.

The decision taken by the French authorities also fits in with the Community (→ points 1.2.1 *et seq.*).

Community borrowings

Annual report

2.1.5. On 26 May the Commission adopted, for transmission to the Council and to Parliament, its sixth annual report on the Community's borrowing and lending activities in 1985.⁴

The report covers all the activities of Euratom, the NCI, the ECSC and the EIB. In 1985 the total volume of loans granted from the various instruments was 7 746 million ECU (8% higher than in 1984), while borrowing intended for structural investment projects totalled 8 168 million ECU (28.8% higher than in 1984). The trends observed in 1984 continued in 1985: concentration of loans on the productive sector (40% of the total) and success of global loans for small and medium-sized firms. This lending policy is already an integral part of the cooperative growth strategy for more employment put forward by the Commission in its Annual Economic Report 1985-86.⁵ With increased financial resources (increase in the EIB's capital⁶ and in the ceiling on Euratom borrowing,⁷ proposal for renewing the NCI⁸), it should also permit the formulation of a coordinated strategy towards infrastructures which would help to unify the internal market by reinforcing industrial competitiveness, to integrate the outlying regions and to promote new technologies.

¹ Previous Summit: Bull. EC 5-1985, points 2.1.2, 2.2.19, 3.4.1 and 3.4.2.

² OJ C 148, 16.6.1986.

³ OJ L 8, 10.1.1985; Bull. EC 12-1984, point 2.1.6.

⁴ COM(86) 289 final. Previous report: Bull. EC 5-1985, point 2.1.5.

⁵ Bull. EC 10-1985, point 1.3.1 *et seq.*; OJ L 377, 31.12.1985.

⁶ Bull. EC 6-1985, point 2.5.31.

⁷ OJ L 334, 12.12.1985; Bull. EC 12-1985, point 2.4.9.

⁸ OJ C 163, 3.7.1985; Bull. EC 5-1985, point 2.1.3.

Economic Policy Committee

2.1.6. At its 170th meeting, held on 21 and 22 May with Mr Milleron in the chair, the Economic Policy Committee examined questions relating to the international situation and to the Community's internal policies. During the course of the meeting, a number of papers making an assessment of the Portuguese economy at the time of joining the Community and dealing with French economic policy and Denmark's external trade were also presented.

Monetary Committee

2.1.7. The Monetary Committee held its 323rd meeting in Brussels on 15 May, with Mr Tietmeyer in the chair. It examined the economic and monetary situation in Denmark and also discussed the Community's financial relations with Japan.¹

Internal market and industrial affairs

Completing the internal market

Council

2.1.8. The Council held its third internal market meeting this year on the morning of 6 May.² In the afternoon, it turned to consumer protection (→ point 2.1.116).

Lord Cockfield, the Commission Vice-President with special responsibility for the internal market, opened the meeting with a summary of the main points emerging from the first Commission report on the implementation of the White Paper on completing the internal market, adopted by the Commission on 22 May (→ point 2.1.9).

Lord Cockfield then proceeded to outline the Commission proposal on television without frontiers.³

The Council agreed in principle on the abolition of certain postal fees for customs pres-

entation but made no major progress on the other items on the agenda: noise emitted by excavators,⁴ simplification of border controls inside the Community⁵ and right of residence.⁶

First report on the implementation of the White Paper

2.1.9. On 22 May the Commission adopted its first annual report⁷ to the Council and Parliament on the progress made in implementing the White Paper programme on completing the internal market⁸ since it was presented to the European Council in June 1985.

The report gives a detailed analysis of the measures undertaken according to the timetable laid down in the White Paper. It also examines major developments relevant to the completion of the internal market and draws general lessons from the first nine months. The programme for the coming months is also discussed.

Although the White Paper was published only nine months ago, it has already produced tangible results. To date the Council has adopted 27 of the proposals listed in the White Paper since June 1985 compared with the 61 it should have adopted in 1985. There will undoubtedly be an improvement in the Council's procedures following ratification of the Single Act⁹ and the return to more frequent use of majority voting. This, coupled with the flexible programme to be followed by the present and the next two

¹ Bull. EC 4-1986, point 2.2.13.

² Previous meetings: Bull. EC 2-1986, point 2.1.6; Bull. EC 3-1986, point 2.1.6.

³ Supplement 5/86 — Bull. EC; Bull. EC 3-1986, point 1.2.1 *et seq.*

⁴ OJ C 356, 31.12.1980; Bull. EC 10-1980, point 2.1.50; OJ C 302, 21.11.1981; Bull. EC 9-1981, point 2.1.58.

⁵ OJ C 47, 19.2.1985; Bull. EC 12-1984, point 2.1.9; OJ C 131, 30.5.1985; Bull. EC 5-1985, point 2.1.9.

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

⁷ COM(86) 300 final.

⁸ Bull. EC 6-1985, point 1.3.1 *et seq.*

⁹ Supplement 2/86 — Bull. EC.

Presidencies, will certainly help to get things moving.

The Commission has put up only 28 of the 48 proposals in the White Paper programme for 1985. Fortunately, this delay has not affected the Council's timetable: the Council already has 132 White Paper proposals to consider.

On practical implementation, the report notes that satisfactory results have been achieved on the right of establishment, financial services and securities.

Prospects are also bright for the removal of technical barriers to trade. However, the report mentions the worrying backlog on foodstuffs and, even more so, on the elimination of veterinary and plant health inspections. It also points out that the deliberations on the proposals on a people's Europe have fallen behind schedule too, with no agreement yet reached within the Council.

Finally, the Commission concludes that despite the relatively short time since publication and the delays, which must be made up at all costs, on the whole a good start has been made, and the utmost must now be done to keep up the momentum.

*

2.1.9a. In view of the radioactive fall-out from the accident at the Chernobyl nuclear power station, on 12 May the Council adopted the Commission proposal on common emergency measures to combat the situation in a bid to maintain a uniform common market and to avert any deflection of trade within the Community. On 30 May the Council adopted arrangements for imports of fresh and processed agricultural products to apply until 30 September, in place of the ones decided on 12 May (→ point 1.1.1 *et seq.*).

2.1.10. At the Council meeting on agricultural on 26 and 27 May agreement was reached on a series of Directives on plant health and foodstuffs (→ points 2.1.137 to 2.1.139), which will make for substantial

progress as regards freedom of trade in these products.

2.1.11. Finally, on 21 May the Commission adopted, for transmittal to the Council, its programme for the liberalization of capital movements in the Community. Free movement of capital is one of the keystones of the large Community-wide internal market (→ point 1.2.1 *et seq.*).

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. In the light of the opinions of Parliament and the Economic and Social Committee, on 13 May the Commission amended its proposal for a Council Directive on a general system for the recognition of higher education diplomas (→ point 2.1.96).

Free movement of goods

Removal of technical and administrative barriers to trade

Industrial products

2.1.13. On 27 May the Council adopted a number of directives relating to the removal of technical and administrative barriers to trade. They concern the approximation of the laws of the Member States with regard to the following:

(i) roll-over protective structures (rops) and falling-object protective structures (fops) for certain construction plant;¹

¹ OJ C 104, 28.4.1980; Bull. EC 1-1980, point 2.1.7.

(ii) tyre pressure gauges for motor vehicles;¹

(iii) rear-mounted protection structures of narrow-track wheeled agricultural or forestry tractors;²

(iv) power take-offs of wheeled agricultural and forestry tractors and their protection.³

2.1.14. On 13 May the Commission adopted two proposals for directives to be transmitted to the Council, concerning harmonization of laws in the motor vehicles sector. The first restricts particulate emissions from private cars fitted with diesel engines, the second limits the emission of gas pollutants from commercial vehicles fitted with diesel engines, including buses and coaches (→ points 2.1.108 to 2.1.110).

Foodstuffs

2.1.15. At the Council meeting on 26 and 27 May the Agriculture Ministers were not able at that juncture to adopt a Community measure authorizing the use of natamycin for the surface treatment of certain cheeses (other than soft cheeses).⁴

2.1.16. In accordance with the provisions of the Council Directive of 15 July 1980 on the exploitation and marketing of natural mineral waters,⁵ which entered into force on 17 July 1984,⁶ Denmark gave the Commission a first list of recognized Swedish mineral waters.⁷

2.1.17. At the end of April, subsequent to the Community's enlargement, the Commission amended its Decision of 16 April 1974 instituting a Scientific Committee for Food,⁸ increasing from 15 to 18 the number of its members.

2.1.18. On 27 May the Commission appointed the new Spanish and Portuguese members of the Committee, who are some of the most highly qualified scientific experts in this field.

Business law

Companies

Annual accounts

2.1.19. On 5 May the Commission transmitted to the Council a proposal for a Directive,⁹ based on Article 54(3)(g) of the Treaty, amending the scope of the fourth Directive of 25 July 1978 (on the annual accounts of certain types of companies)¹⁰ and the seventh Directive of 13 June 1983 (on consolidated accounts).¹¹ The purpose of the proposal is to extend the accounting obligations of the fourth and seventh Directives to partnerships, limited partnerships and unlimited companies where the members having unlimited liability are themselves public or private limited companies.

Small business — Business Cooperation Centre — Distributive trades

Small business

2.1.20. To enable small and medium-sized enterprises to make the best use of the Community framework, the Commission organized on 23 May a Communication Day, in which twelve firms took part, one from each Member State. The meeting enabled Commission staff to gain a better idea of businessmen's needs and the expectations they have of the Community. The conclusions reached will form the basis of

¹ OJ L 152, 6.6.1986; OJ C 356, 31.12.1980; Bull. EC 12-1980, point 2.1.11.

² OJ C 123, 9.5.1983; Bull. EC 4-1983, point 2.1.11.

³ OJ C 164, 26.6.1983; Bull. EC 5-1983, point 2.1.24.

⁴ OJ C 330, 17.12.1981; Bull. EC 11-1981, point 2.1.12; Bull. EC 12-1985, point 2.1.17.

⁵ OJ L 229, 30.8.1980.

⁶ Bull. EC 7/8-1984, point 2.1.18.

⁷ OJ C 113, 13.5.1986.

⁸ OJ L 136, 20.5.1974.

⁹ COM(86) 238 final.

¹⁰ OJ L 222, 14.8.1978.

¹¹ OJ L 193, 18.7.1983.

specific proposals for measures to assist small businesses.

2.1.21. In accordance with the mandate given by the European Council on 29 and 30 March 1985¹ and with the conclusions of the European Council meeting on 2 and 3 December 1985,² the Commission has adopted the principle that any proposal for Council legislation should be accompanied by an assessment of its impact on businesses, particularly smaller ones, and on job creation. This is intended to allow better account to be taken of the interests of small businesses and of the impact on employment when the Commission adopts proposals to be laid before the Council.

Steel³

The Community steel industry

Market management

Crisis measures

Production quotas

2.1.22. On 5 May the Commission amended the abatement rates for the second quarter.⁴ The adjustments made to the reference figures for most of the products covered by the quota system under Article 15(1) of the Commission Decision of 27 November 1985 on the extension of the system of monitoring and production quotas,⁵ combined with recent developments on the market, left no alternative but to adjust the provisional rates originally set.⁶

The result was a general relaxation of the rates: moderate for most products, and in particular for flat products, but greater for wire rod to take account of the demand for rod for wire drawing.

The definitive abatement rates for establishing the production quotas for the second quarter of 1986 are set out in Table 2.

Table 2 — *Definitive rates of abatement for establishing the production quotas for the second quarter of 1986*

	Production quota	Share of the quota which may be delivered in the common market
Ia Hot-rolled flat strip, including hoop and sheet	46	49
Ib Cold-rolled sheet	41	41
Ic Galvanized sheet	11	18
II Reversing-mill plate	40	48
III Heavy sections	49	54
IV Wire rod	33	35
VI Merchant bars	40	40

2.1.23. On 26 May the Commission adopted the abatement rates for establishing the production quotas for the third quarter.⁷

Table 3 — *Rates of abatement for establishing the production quotas for the third quarter of 1986*

	Production quota	Share of the quota which may be delivered in the common market
Ia Hot-rolled flat strip, including hoop and sheet	51	53
Ib Cold-rolled sheet	52	49
Ic Galvanized sheet	22	27
II Reversing-mill plate	48	58
III Heavy sections	56	60
IV Wire rod	40	36
VI Merchant bars	41	42

¹ Bull. EC 3-1985, point 1.2.3.

² Bull. EC 11-1985, point 1.1.1 (conclusions of the Presidency on the economic and social situation).

³ For matters relating to the ECSC operating budget, see point 2.3.2.

⁴ OJ L 117, 6.5.1986.

⁵ OJ L 340, 18.12.1985; Bull. EC 11-1985, point 2.1.23.

⁶ OJ L 48, 26.2.1986; Bull. EC 2-1986, point 2.1.16.

⁷ OJ L 142, 28.5.1986.

Market situation

Community production

2.1.24. The forecasts for the Community less Greece point to production remaining remarkably stable in May, compared with April, at 11.06 million tonnes. Production should hold steady in every Member State. The drop from the May 1985 figures of 11.77 million tonnes for the Eleven and 11.85 million tonnes for the Twelve continued at the same rate as in the first quarter. Once again, there was little difference from one Member State to another, with only the Netherlands, Ireland and Portugal recording slight increases.

Tube market

2.1.25. Sharply falling oil prices have sparked off a collapse in the world market in tubes for the oil industry, at a time when production capacity is continuing to grow. The full force of this collapse is best illus-

trated by the spectacular decline in the number of drilling platforms in operation, which slumped from around 2 300 in the USA in 1984 to 1 900 by the end of 1985; it was expected to continue to fall to 1 496 in February and, beyond that, to 917 in April. A similar appreciable downturn in demand for this product was reported in Canada, with others expected in the Soviet Union, Norway and the United Kingdom.

World trade

2.1.26. A recent study heralds strong growth in trade in steel in general, and in processed products in particular, by the turn of the century, accompanied, however, by radical changes in individual producers' shares. Japan's and the Community's volume of trade will remain virtually unchanged, with the result that their relative shares will decline as Brazil's and Korea's increase.

Table 4 shows selected countries' share of world exports in 1985 and 2000.

Table 4 — *Export share, 1985 and 2000*

	1985		2000		% increase
	million tonnes	%	million tonnes	%	
South Korea	7.3	3.7	22.5	8.2	208
Brazil	9.0	4.6	18.5	6.7	105
Japan	38.2	19.4	38.6	14.0	1
Community	73.6	37.4	78.2	28.3	6.3
USA	0.8	0.4	0.8	0.3	0
World	197		276		40

Social measures

Subsidized housing

2.1.27. On 7 May the Commission approved the second tranche of the tenth (1986-88) ECSC subsidized housing scheme (→ point 2.1.71).

Competition

2.1.28. On 26 May the Commission authorized Usinor to acquire the Creusot-Marrel and Specialized Engineering divisions of Creusot-Loire as one of the moves to restructure the steel industry (→ point 2.1.53).

Restructuring

2.1.29. On 27 May the Commission decided what steelmaking regions in Italy should qualify for aid from the non-quota section of the ERDF under the second stage of the specific Community measure in favour of certain areas adversely affected by restructuring in the steel industry (→ point 2.1.101).

Trade with non-member countries

Exports

Retaliatory measures against the United States in respect of semifinished products

2.1.30. On 27 May the Council amended,¹ as proposed by the Commission,² the Regulation adopted on 19 January introducing quantitative restrictions for imports of certain products from the USA.³ This new Regulation alters the measures introduced by the Community in retaliation for the US restrictions on imports of semifinished steel products from the Community, raising the limit for coated paper to 16 000 tonnes from the original 10 000 tonnes per year.

Imports

External aspects of the crisis measures

Arrangements with non-member countries

2.1.31. Now that the Council has concluded arrangements with Brazil (on pig iron) and Sweden, the Commission has finished negotiating, on the basis of the directives issued by the Council on 12 December 1985,⁴ new 1986 arrangements with the 13 countries with similar arrangements in 1985 — Austria, Finland, Norway, Sweden, South Africa, Brazil (two arrangements: one

on pig iron, the other on steel), Bulgaria, Hungary, Poland, Romania, Czechoslovakia, Australia and South Korea. In recent years, imports from Australia and South Korea have been so low that the Community had originally planned not to renew the arrangements with those two countries. However, in the end it did renew them at the express request of the countries themselves.

Following Spanish and Portuguese accession, the 1986 arrangements now cover the enlarged Community.

Two of the main differences between the new arrangements and their forerunners are the new layout and the simplifications made. The earlier arrangements had been renewed on the basis of the first agreements concluded back in 1978. The resultant gradual build-up of instruments and annexes made them difficult to follow. The latest arrangements are consolidated texts.

The arrangements with the EFTA countries contain no reference to quantities but simply reiterate the obligation imposed by the free trade agreements to apply the same price rules as for undertakings in the Community. The 3% price margin previously allowed has been terminated. Henceforth, the arrangements will cover all the products defined in the free trade agreements.

The minimum price and guidance price rules have been deleted from the arrangements with the other countries. But the 6% price tolerance (penetration margin) for ordinary steels and the 4% margin for special steels have been maintained. Similarly, the price discipline rules allowing exclusion of products from the arrangement in the event of repeated, unwarranted violation of the price rules also remain in force.⁵ As in the past, the arrangements lay down refer-

¹ OJ L 145, 30.5.1986.

² COM(86)243 final.

³ OJ L 30, 5.2.1986; Bull. EC 1-1986, point 2.1.20.

⁴ Bull. EC 12-1985, point 2.1.37; Bull. EC 3-1986, point 2.1.32; Bull. EC 4-1986, point 2.1.21.

⁵ Once excluded, products are no longer exempt from possible anti-dumping actions by the Community steel industry.

ence quantities. However, these have been increased by 3% in line with apparent consumption trends in the Community. Further increases have been made to take account of Spain's and Portugal's imports, based on the latest known figures, for 1983-84.

Not all steels were covered by the earlier agreements with these countries, least of all certain special steels. Fewer still are covered by the new ones, which exclude rails and other steel intended for railway tracks. When the Commission originally requested negotiating directives, it even proposed excluding semifinished products. But the Council could not accept this, partly because the USA insisted that semifinished products be included in its arrangements with the Community and other countries.¹

Finally, since the ultimate objective was to maintain traditional patterns of trade, all the partners undertook to ensure that their deliveries did nothing to interfere with the traditional balance of imports by the different parts of the Community.

Research and technology

Community R&D policy

Programme reviews

2.1.32. On 27 May the Commission transmitted four communications to the Council — one concerning the second phase of the Esprit programme (→ point 2.1.39), the others reviewing three Community research and development programmes:² the plan to stimulate European scientific and technical cooperation and interchange (1985-88),³ the Brite programme of research in industrial technologies (1985-88)⁴ and the research programme in the field of biotechnology (1985-89).⁵

These communications are without prejudice to the outcome of discussions in Parliament and the Council on the communication sent to the Council on 20 March

concerning guidelines for a new Community framework programme for technological research and development for the period 1987-91⁶ or the substance of the formal proposal for a framework programme to be presented by the Commission next July. Their purpose is to provide meaningful illustrations of the priority themes proposed by the Commission for the next framework programme, namely industrial competitiveness, the creation of a 'researchers' Europe' and improving the quality of life.

The Commission feels it necessary to review these three recent programmes for a number of reasons, one of which is the very success they have enjoyed: for each programme, very many proposals of a generally high standard were submitted, but the Commission was unable to select all of them. One of the objectives of the programme review is to increase the financial resources of the programmes sufficiently to allow the inclusion of a number of projects of great scientific value which were initially set aside. At present, the three programmes have budgets of 60, 125 and 55 million ECU, respectively.

Another objective of the Commission communication is to adapt the content of the programmes to certain changes that have occurred in several areas since they were drawn up: changes in the state of the art in particular disciplines, the opening up or development of new research prospects etc., and also the entry into the Community of Spain and Portugal, to which countries these programmes must now be extended. The review of the programmes is also intended to enable industry (whose interest in Community research is increasing day by day) to become more closely associated with the biotechnology programme and the stimulation plan than it is at present and to

¹ Bull. EC 12-1985, point 2.1.36; Bull. EC 1-1986, point 2.1.20; Bull. EC 2-1986, point 2.1.22.

² OJ L 83, 23.3.1985; Bull. EC 3-1985, point 2.1.141.

³ COM(86) 270.

⁴ COM(86) 271.

⁵ COM(86) 272.

⁶ Bull. EC 3-1986, points 1.1.1 to 1.1.6.

open up the Brite programme still further to small and medium-sized businesses. One of the principal ideas behind the review projects is the close integration of the programmes concerned within the future Community framework programme of technological research and development (1987-91).

The aim of the three communications which have just been transmitted by the Commission is to pave the way for an initial discussion on the substance of the programme review. Once its formal proposal for a framework programme (1987-91) has been adopted, the Commission will place detailed proposals for decisions before the Council and Parliament.

Coordination of national policies

2.1.33. The Scientific and Technical Research Committee met in Brussels on 15 and 16 May for a detailed exchange of views on the 'horizontal' problems arising from the implementation of the second Community framework programme of technological research and development for the period 1987-91.¹

The Committee examined, in particular, the present status of R&D financing in the Member States for the period 1975-85 in the light of a report from its Subcommittee on Statistics. It emerges from this report that the gross domestic expenditure of the United States and Japan on R&D in 1983 was equivalent, respectively, to 1.65 and 0.56 times that of all the Community countries at current exchange rates. The Federal Republic of Germany was the only Member State whose gross domestic expenditure on R&D, expressed as a percentage of gross domestic product, was appreciably greater, at 2.58% in 1983, than the Community average (1.95%) and close to the figure for Japan (2.61%) and the United States (2.7%). Recent trends in budget appropriations for R&D in the Member States reveal no perceptible changes in priorities, the technological and defence objectives alone accounting for over half of the appropriations for the Community as a

whole and the remainder being divided between research financed by general university funds not tied to specific uses (about one third), human and social objectives, and agriculture (the appropriations for which seem to be decreasing slightly). Most of the Member States, however, do appear to be paying ever greater attention to basic research and are preparing plans of action which will take account of the budgetary difficulties with which they will have to cope.

Other business dealt with included criteria for the selection of R&D actions to be carried out at Community level as opposed to those implemented at national or multi-lateral level; an initial analysis of the positions of the Member States concerning the priorities to be adopted for the Community seems to indicate a convergence of views on the basis of the information provided by the Commission; nevertheless, the Committee adopted a cautious attitude with regard to new activities to be developed in the marine and aeronautical science and technology sectors, in which coordinated actions would seem to be more appropriate.

Most Member States stressed the fundamental role of small and medium-sized firms in the process of technological development and wanted the Commission to consider that aspect seriously when drawing up its 1987-91 framework programme.

Stimulation of European scientific and technical cooperation and interchange

2.1.34. A major review meeting of participants in the experimental phase (1983-84) of the 'action to stimulate scientific and technical cooperation and interchange'² was held in Brussels on 5 and 6 May.

This enabled representatives of most of the European laboratories taking part in the

¹ Bull. EC 3-1986, points 1.1.1 to 1.1.6.

² OJ C 337, 2.3.1982; Bull. EC 12-1982, point 2.1.174.

programme to share experience and compare results.

The experimental phase had been allocated a budget of 7 million ECU, which made it possible to finance 86 projects involving 218 laboratories (i.e. over 1 000 research workers) from all the Member States. The projects include the EJOB research operation concerning the optical computer,¹ in which eight associated laboratories from five different countries have developed optical logic circuit elements based on the exploitation of 'optical bistability', a property which certain materials possess. This achievement is an important step towards the development of an all-optical computer, in which the information would be coded, transmitted and processed in the form of light beams.

Valuable results were also obtained in the field of molecular materials (polymers for electronics and opto-electronics), in which the research performed resulted in the filing of two important patent applications. An entire series of research projects on interface phenomena and the catalytic properties of materials yielded knowledge that is likely to lead to the development of more efficient catalysts for several industrial processes (e.g. processes for the production of sulphuric acid or for the removal of nitrogen and sulphur compounds from petroleum during refining). A project involving teams from three countries resulted in the development of systems for the toxicity-testing of medicinal products which can be substituted advantageously for experiments on animals.

In accordance with one of the objectives of the stimulation action, several projects provided opportunities for research workers to obtain access to large facilities (such as particle accelerators) which are not available to them in their own countries.

The overall quality of the results obtained during the experimental phase (1983-84) prompted the Commission to continue and expand this multidisciplinary scheme by initiating the 'multiannual plan to stimulate

European scientific and technical cooperation and interchange (1985-88)'.²

Sectoral R&D activities

Energy

Nuclear fission energy

2.1.35. In view of the measures already decided by the Council on 12 and 30 May (→ point 1.1.1 *et seq.*) and the further research that will have to be done, Commission departments proceeded to gather and examine all available information on the serious accident that occurred at the Chernobyl nuclear power station in the Soviet Union at the end of April. A special task force was set up which undertook with all the relevant departments a detailed evaluation of the reactor design, safety aspects, dispersion of radioactivity in the atmosphere, soil contamination, radiation protection standards and crisis management.

2.1.36. On 13 and 14 May the European Safeguards Research and Development Association (Esarda), which is being chaired by the Commission in 1986, held a symposium in Copenhagen, attended by over 100 experts, at which the efficacy of the various measuring techniques used in this field was examined and discussed. A set of documents prepared by the various working groups is currently being studied with a view to possible reorientation of certain Esarda activities.

2.1.37. On 15 and 16 April a meeting on the physics of actinides at low temperatures was held at the Karlsruhe Establishment of the JRC. Eighteen high-level scientists, most of them European, participated in the meeting, the purpose of which was to identify experiments to be carried out in this field

¹ Bull. EC 1-1985, point 2.1.74.

² OJ L 83, 25.3.1985; Bull. EC 3-1985, point 2.1.141.

in the future and to determine whether or not they are feasible.

During the discussions, agreement was reached on the need to intensify cooperation between the Karlsruhe Establishment, which is equipped with special facilities, and the other centres of excellence in the field of high-temperature actinide research.

Non-nuclear energy

2.1.38. As part of the third Community research programme in the field of non-nuclear energy (1985-88),¹ a workshop on the subject of hot dry rocks, a subarea of geothermal-energy research, was held in Brussels on 28-30 May under the auspices of the Commission. The meeting was attended by specialists from various Member States and by American and Japanese research workers.

The purpose of the research under the heading 'hot dry rocks' is to develop means of extracting heat from rocks which, since they do not contain water, cannot serve as conventional sources of geothermal energy. Such extraction can be achieved by installing an artificial water circuit: the water is injected cold into the rock formation and exits at a temperature which renders it suitable for use.

Europe occupies a leading position in this still young field of research thanks to the project conducted by the Camborne School of Mines at a test site in Cornwall, United Kingdom, as part of the Community research programme in the field of non-nuclear energy. The purpose of the meeting in Brussels was to enable research workers to compare experience and results with a view to possible future cooperation.

Industry

New technologies

Information technology

Second phase of Esprit

2.1.39. By 1990 Europe will undoubtedly be the largest market for IT products and

services and will represent 30% of the world market for data processing, from office to industrial automation, including the new generation of electronic chips.

The Commission, in a communication sent to the Council on 27 May, stated its opinion that the effort needed for the second phase of Esprit will be three times that required for the current phase of the programme.²

The fundamental objectives of Esprit remain the same:

- (i) to provide European industry with the basic technologies;
- (ii) to promote European industrial cooperation;
- (iii) to pave the way for the introduction of international standards of European origin.

The second phase is intended to cover pre-competitive R&D in the following sectors in particular:

- (i) microelectronics and computer peripherals;
- (ii) data-processing systems;
- (iii) applications technology, including industrial and office automation.

The Commission also stressed that, of the range of applications that will be necessary in order to keep European industry in the race against its American and Japanese competitors, special attention must be paid to the essential role of the new generations of electronic chips. Finally, the Commission points out that IT is not merely an important industry in itself; it also contributes extensively to the competitiveness of most economic activities. The sectors which already depend heavily on IT to maintain their competitive position are: banking and insurance; telecommunications; machine tools; the motor industry; aircraft; and medical and optical instrumentation. Furthermore, IT is increasingly becoming a cause of social change. Its integration with

¹ OJ L 83, 25.3.1985; Bull. EC 3-1985, point 2.1.141.

² OJ L 67, 9.3.1984; Bull. EC 2-1984, points 1.3.1. *et seq.*

other technologies has brought about the emergence of new applications and services in areas such as education, transport and medicine.

Telecommunications

Standardization

2.1.40. On 16 May Parliament delivered its opinion¹ with regard to the Commission proposal on the adoption of common technical specifications for the MAC/packet² family of standards for direct satellite television broadcasting.³ It pointed out that doubts had been expressed regarding the extent to which all the variants of the MAC family of standards are covered by the proposal and are compatible with each other and capable of being upgraded to the status of standards for high-definition television (HDTV). It also noted that a Japanese proposal for a worldwide HDTV production standard had been put forward for adoption at the plenary meeting of the International Radio Consultative Committee in Dubrovnik.

Parliament asked the Commission to re-examine its proposal for a Directive in the light of these new developments and to report back as soon as possible; it also called upon the Council to postpone its decision on the proposal until the results of the Commission's review were available.

Health and safety

2.1.41. The Commission recently published two documents in the field of research on radiation protection. Its report on the activities in 1985 under the programme of research on radiation protection (1985-89)⁴ briefly describes progress on some 500 research projects in the following areas: radiation dosimetry, behaviour and control of radionuclides in the environment, non-stochastic effects of ionizing radiation, radiation carcinogenesis, genetic effects of ionizing radiation, evaluation of radiation risks and optimization of protection.

The second document reviews the results obtained in research on methods for determining the radiological consequences of nuclear accidents under the Maria project (Methods for Assessing the Radiological Impact of Accidents), which is part of the radiation protection programme (1980-84).⁵

2.1.42. From 21 to 23 May, in preparation for the new Community medical research programme (1987-89), the Commission held a symposium in Brussels on the diagnostic criteria for epidemiological studies of dementia. The discussions that took place will make it possible to determine the areas to be covered by a proposal for coordinated research in this field.

In view of the increase in the average age of the population of Europe, the problems associated with ageing, one of which is dementia, are of growing concern in all the Member States. One of the activities under the current Community programme of medical research⁶ is the coordination of certain research projects in this field. Under the next programme the present effort would be supplemented by taking account of the epidemiological dimension: this would involve evaluating with greater accuracy the extent of the various types of dementia and obtaining evidence as to their causes and development, with a view to improved prevention and treatment.

2.1.43. The Council and the Ministers for Health meeting within the Council on 29 May adopted a statement on the coordination of medical and public health research (→ point 2.1.66).

*

2.1.44. At its May session the Economic and Social Committee adopted an own-initiative opinion concerning the Com-

¹ OJ C 148, 16.6.1986.

² MAC: multiplexed analog components.

³ OJ C 59, 14.3.1986; Bull. EC 1-1986, point 2.1.37.

⁴ OJ L 83, 25.3.1985; Bull. EC 3-1985, point 2.1.141.

⁵ OJ L 78, 25.3.1980; Bull. EC 3-1980, point 2.1.111.

⁶ OJ L 248, 24.8.1982.

munity's shared-cost research, development and demonstration programmes (→ point 2.4.19).

Industrial innovation and the information market

Development of a European information market

2.1.45. The second meeting of the 'legal observatory' for the European information market took place in Luxembourg on 12 May.¹ Among the issues discussed were health and safety questions associated with IT applications; the *Le Monde v Microfor* case before the French courts, in the context of the Green Paper on copyright which the Commission is currently preparing; and the Commission's preliminary draft proposals aimed at ensuring adequate consumer protection in connection with credit cards, debit cards and multipurpose cards used for electronic funds transfer (EFT) and point-of-sale (POS) debiting.

Customs union

General legislation

Accession to Council of Europe agreement

2.1.46. On 6 May the Council adopted,² on a proposal from the Commission,³ a Decision concerning the accession of the Community to the Agreement drawn up under the auspices of the Council of Europe on the temporary importation, free of duty, of medical, surgical and laboratory equipment for use on free loan in hospitals and other medical institutions for purposes of diagnosis or treatment.

Common Customs Tariff

Nomenclature

2.1.47. For the purpose of ensuring uniform application of the CCT nomenclature,

the Committee on Common Customs Tariff Nomenclature adopted a number of tariff measures—in the form of explanatory notes or agreements on the classification of goods—involving the following subheadings: 61.02 B II e) g cc), 60.04 B IV d) 1 dd), 61.02 B II a) 1, 61.01 B V g) 3, 61.03 C II, 60.05 B II, 39.02 C VII b);⁴ 03.01 B II, 18.06 B and 21.07 C.⁵

Economic tariff matters

Suspensions

2.1.48. On 26 May the Council adopted a Regulation temporarily suspending the autonomous CCT duties on a number of agricultural products.⁶

Tariff quotas

2.1.49. In May the Council adopted a number of Regulations opening, allocating and providing for the administration of Community tariff quotas in respect of the following:

- (i) certain kinds of fish and fillets;⁷
- (ii) certain kinds of cod and cod fillets falling within CCT subheadings ex 03.02 A I b) and 03.02 A II a) originating in Norway;⁸
- (iii) table cherries, excluding Morello cherries, falling within CCT subheading ex 08.07 C originating in Switzerland;⁹
- (iv) concentrated pear juice falling within CCT subheading ex 20.07 A II originating in Austria.⁹
- (v) certain oils and fats of marine animals falling within CCT subheading ex 15.12 B originating in Norway;¹⁰

¹ First meeting: Bull. EC 10-1985, point 2.1.31.

² OJ L 131, 17.5.1986.

³ Bull. EC 6-1985, point 2.1.40.

⁴ OJ C 117, 17.5.1986.

⁵ OJ C 129, 28.5.1986.

⁶ OJ L 149, 3.6.1986.

⁷ OJ L 129, 15.5.1986.

⁸ OJ L 125, 13.5.1986.

⁹ OJ L 142, 28.5.1986.

¹⁰ OJ L 145, 30.5.1986.

(vi) certain kinds of eels falling within CCT subheading ex 03.01 A II;¹

(vii) apricot pulp falling within CCT subheading ex 20.06 B II c) 1 aa) originating in Turkey;

(viii) sweet, clear-fleshed cherries, marinated in alcohol and intended for the manufacture of chocolate products, falling within CCT subheading ex 20.06 B I e) 2 bb);²

(ix) cod, dried, not salted, falling within CCT subheading ex 03.02 A I b) originating in Norway;³

(x) certain kinds of eels falling within CCT subheading ex 03.01 A II (1 July 1986 to 30 June 1987);⁴

(xi) processing operations in respect of certain textile products under the Community outward processing arrangements;⁴

(xii) 38 000 head of heifers and cows, other than those intended for slaughter, of certain mountain breeds, falling within CCT subheading ex 01.02 A II, at a rate of duty of 4%; an initial quantity of 30 000 head was allocated among the Member States, with a second instalment of 8 000 head being held back as a reserve;⁵

(xiii) 5 000 head of bulls, cows and heifers, other than those intended for slaughter, of certain Alpine breeds, falling within CCT subheading ex 01.02 A II, at a rate of duty of 4%; an initial quantity of 4 300 head was allocated among the Member States, with a second instalment of 700 head being held back as a reserve.⁵

2.1.50. On 26 May the Council opened for 1986, as an autonomous measure, a special import quota for high-quantity fresh, chilled or frozen beef and veal falling within CCT subheadings 02.01 A II) a) and 02.01 A II b).⁶ The total volume of the quota is 6 000 tonnes expressed in terms of weight of the product. Within this quota the rate of CCT duty is set at 20%.

Origin of goods

2.1.51. On 14 May the Commission adopted a Regulation regarding the appli-

cation within the Community of Decision No 1/86 of the ACP-EEC Customs Cooperation Committee.⁷ This Regulation extended three derogations from the origin rules—which the Commission implemented in the Community on 11 September last year⁸—beyond 28 February of this year, when the transitional measures for the period between the expiry of Lomé II (28 February 1985) and the entry into force of Lomé III would have run out⁹ had they not been renewed by the ACP-EEC Council of Ministers in March.¹⁰

Consequently, the three derogations (which concern tufted carpets from Jamaica, fishing articles from Malawi, Kenya and Mauritius, and canned tuna from Mauritius) will apply until the dates originally stipulated by the Customs Cooperation Committee, i.e. 2 October 1986, 1 May 1986 and 29 February 1988 respectively.

Competition

Restrictive practices, mergers and dominant positions: specific cases

Abuse of dominant positions

Istituto/IMC & Angus

2.1.52. Certain restrictions of competition on the market in aminobutanol (a raw material for a medicament used in the treatment of pulmonary tuberculosis) have been lifted following representations by the Commission.

¹ OJ L 144, 29.5.1986.

² OJ L 149, 3.6.1986.

³ OJ L 145, 30.5.1986.

⁴ OJ L 149, 3.6.1986.

⁵ OJ L 150, 4.6.1986.

⁶ OJ L 145, 30.5.1986; Bull. EC 1-1986, point 2.1.92.

⁷ OJ L 129, 15.5.1986.

⁸ OJ L 244, 12.9.1985; Bull. EC 9-1985, point 2.1.39.

⁹ OJ L 61, 1.3.1985; Bull. EC 2-1985, point 2.2.38.

¹⁰ OJ L 63, 5.3.1986; Bull. EC 2-1986, point 2.2.26.

Following a complaint made by Istituto Chemioterapico Italiano, an Italian pharmaceutical company, the Commission sent a statement of objections to International Minerals and Chemicals Corp. (IMC) and to Angus Chemical Co., which has taken over IMC's aminobutanol business. At the time, IMC and Angus had a dominant position in the common market for aminobutanol and the Commission considered that they had abused their dominance in various ways:

(i) first, by refusing to supply aminobutanol to Istituto, which owed IMC a substantial sum of money which it was not in a position to pay because it was under *amministrazione controllata* (a form of composition with creditors under the supervision of the court); this threatened to drive the Italian company off the market; moreover, IMC would have had an unfair advantage over the other creditors under the composition if it had been able to use its market position to obtain the payment of earlier debts;

(ii) second, in making the resumption of supply dependent on Istituto's withdrawal of a request for arbitration concerning an entirely separate claim against IMC;

(iii) third, by imposing on their customers exclusive purchasing agreements which obliged them to obtain all their requirements of aminobutanol from IMC for at least five years;

(iv) finally, by preventing their customers from reselling aminobutanol.

While denying any infringement of Article 86 of the EEC Treaty, IMC and Angus immediately resumed deliveries to Istituto against a letter of credit, without insisting that Istituto withdraw its separate claim. Angus's current sales agreements no longer include an exclusive purchasing clause, nor do they require the purchaser to refrain from reselling aminobutanol. Furthermore, since the initiation of proceedings in this case a new competitor has entered the market and Angus's position has been considerably weakened. The Commission was there-

fore able to terminate the proceedings commenced against IMC and Angus.

This case confirms the Commission's determination to open up markets controlled by dominant firms and to pursue its policy on supply contracts.¹

Mergers

Usinor/Creusot-Marrel

2.1.53. Acting under Article 66 of the ECSC Treaty, the Commission on 26 May authorized the acquisition by Usinor, Paris, of the Creusot-Marrel and Specialized Engineering divisions of Creuset-Loire. The first manufactures heavy steel plate at its Creusot and Châteauneuf works; it also manufactures heavy forgings and castings at Creusot. The second uses steel in the manufacture of arms. This acquisition can be seen as part of the restructuring of the French steel industry. In July 1984 the Commission had already authorized the transfer of a major part of the steelmaking activities of Creusot-Loire to Usinor and Sacilor (the other large steel company controlled financially by the French State).² The present transaction concerns the remainder of these activities, Creusot-Loire itself being in liquidation.

From the point of view of competition the importance of this merger lies primarily in the fact that Usinor is the main Community producer of heavy steel plate. However, the acquisition of Creusot-Marrel only slightly increases its share in Community production. This is because nine other large or medium-sized firms produce heavy plate in the Community, quite apart from several smaller fabricators. These other producers will continue to compete effectively with Creusot-Marrel, and this—combined with the substantial influence of imports from non-Community countries—will ensure

¹ See also the *Soda Ash* and *Hoffmann-La Roche* cases: Eleventh Report on Competition Policy, points 73 to 76; Case 85/76 *Hoffmann-La Roche & Co. AG v Commission* [1979] ECR 461; Thirteenth General Report, point 618.

² Bull. EC 7/8-1984, point 2.1.60.

that the acquisition of Creusot-Marrel does not give Usinor the power to determine prices or to define its sales policy without taking into account other producers and the freedom of choice of users on the market.

Since forgings and castings fall under the EEC Treaty, the Commission considered whether Article 86 was applicable, because any merger may constitute an abuse of a dominant position for the relevant products in a substantial part of the common market. The Commission's conclusion was that the merger would have no harmful effects.

State aids

Industry aids

Synthetic fibres

Germany

2.1.54. On 21 May the Commission decided, after hearing the parties concerned as required by Article 93(2) of the Treaty, that the financial assistance granted by the German Federal Government and the Government of Bavaria to a polyamide and polyester yarn manufacturer in Deggendorf was unlawful as it had been provided in violation of the provisions of Article 93(3) and, moreover, that it was incompatible with the common market.¹

The Commission took the view that the aids, consisting of a grant of DM 6.12 million and an eight-year loan of DM 11 million at 5%, were granted to the company in contravention of the synthetic fibre aids code.² The aided investment was intended to modernize and rationalize the production facility without effecting any of the changes required under the code, while at the same time considerably increasing net production capacity of both polyamide and polyester yarn.

Since the German Government had failed to notify the aids in advance as required under the code, the Commission was unable to state its views on the measures before

they were implemented. They were therefore in breach of Community law from the time they came into operation. In the case of aids which are incompatible with the common market and were granted without the obligation laid down in Article 93(3) being fulfilled, the Commission—making use of a possibility given it by the Court of Justice in its judgment of 12 July 1973 in Case 70/72³—can require Member States to recover aid granted illegally from recipients.

In its decision of 21 May the Commission accordingly declared the aids in issue in this case incompatible with the common market and ordered the German Government to recover them.

Because of the persistent and uncontested overcapacities and depressed prices in the product groups in question at the time, the aids, by artificially lowering the costs of the manufacturer, weakened the competitive position of other Community firms and had the effect of further reducing capacity utilization and depressing prices, to the detriment of and possible withdrawal from the market of producers which had survived owing to restructuring, productivity and quality improvements financed from their own resources. These aids, then, benefited the recipient firm to such an extent that its market position is no longer solely determined by its own efficiency, merits and powers; so they cannot be regarded as contributing to a development which from the Community point of view would be liable to counteract their trade-distorting effects. The Commission concluded that the aids do not satisfy the conditions required for exemption under Article 92.

Electronics

Germany and the Netherlands

2.1.55. On 21 May the Commission decided not to raise any objections to two

¹ See also Bull. EC 9-1985, point 2.1.46.

² OJ C 171, 10.7.1985; Bull. EC 5-1985, point 2.1.35.

³ *Commission v Germany* [1973] ECR 813; Bull. EC 7/8-1973, point 2422.

schemes notified by the German and Dutch Governments to grant aids to two German and Dutch firms cooperating in developing electronic memories. On the basis of the information at its disposal the Commission considered that these aids qualified for exemption under Article 92.

Pharmaceutical products

Belgium

2.1.56. On 21 May the Commission decided to initiate the Article 93(2) procedure in respect of research aids granted by the Belgian authorities to five pharmaceutical companies. These aids, which had not been notified in advance to the Commission, were considered to have been in breach of Community law from the time they were granted, and on the basis of the information at its disposal the Commission held that they were incompatible with the common market within the meaning of Article 92.

Chemicals

France

2.1.57. On 7 May the Commission decided to initiate the Article 93(2) procedure in respect of French aids to a chemicals firm. The Commission took the view that these aids, which had not been notified in advance, had been in breach of Community law from the time they were granted. On the information available to it the Commission concluded that they were incompatible with the common market within the meaning of Article 92.

Aircraft

Italy

2.1.58. On 14 May the Commission decided not to raise any objection to aid measures in the form of repayable advances and interest-rate subsidies notified by the Italian Government. These were intended

to permit Italian aircraft companies to participate in intra-Community and international programmes.

The Commission found that the measures were such as to enable recipient firms to engage in more balanced cooperation with other firms in the Community without affecting the conditions of trade to an extent contrary to the common interest. The Commission considered that the measures notified were allowable under Article 92(3).

Financial institutions and taxation

Financial institutions

Insurance

Insurance against civil liability in respect of the use of motor vehicles

Accession-related measures

2.1.59. On 16 May the Commission adopted three decisions (consequent upon the accession of Spain and Portugal) setting 1 June as the date for the elimination of certain 'green card' checks.¹ The first decision requires checks on vehicles travelling between Spain or Portugal and the other Member States except Greece to be discontinued, while the other two require Spain and Portugal to refrain from making checks on vehicles from specified non-member countries.

Banks

2.1.60. On 5 May the Commission sent the Council a proposal for a Directive² to amend the Directives of 25 July 1978 and

¹ OJ L 153, 7.6.1985.

² OJ C 144, 11.6.1986; COM(86)238 final.

13 June 1983 on annual accounts¹ and consolidated accounts² in such a way as to cover specified types of company.

Stock exchanges and other institutions in the securities field

2.1.61. On 30 May the Commission adopted for transmission to the Council a proposal for a Directive³ amending the Directive of 20 December 1985 on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (Ucits)⁴ as far as concerns the investment policy of certain Ucits. The Council had asked the Commission to put forward a proposal covering the treatment of Ucits which have or wish to include in their portfolios securities issued by mortgage credit institutions and other comparable bodies in excess of the limit laid down in the 1985 Directive and the treatment of Ucits portfolio management funds in the United Kingdom.

Taxation

Indirect taxes

2.1.62. On 22 May the Economic and Social Committee endorsed (→ point 2.4.22) the proposal for a Directive imposing a standstill on VAT and excise duties.⁵

Turnover taxes

2.1.63. On 29 May the Commission presented to the Council and Parliament a report⁶ on the operation, in 1984, of the mechanism introduced by the twentieth Directive of 16 July 1985⁷ authorizing the Federal Republic of Germany to use, by way of derogation from the sixth Directive,⁸ VAT as an instrument for granting special aid to farmers to compensate for the dismantlement of monetary compensatory amounts. While recognizing that it is cur-

rently impossible to compare the compensation provided in this way with the actual losses incurred as a result of the revaluation of the German mark's 'green rate', the Commission concludes that the German legislation is consistent with the terms of the 20th Directive. The Commission also reports that it has no reason to believe that the smooth operation of agricultural markets has been disrupted by the aid.

2.1.64. On 16 May Parliament delivered its opinion⁹ on the proposal for a 21st Directive¹⁰ authorizing Greece to defer for the second time¹¹ — until 31 December 1986 instead of 31 December 1985 — the deadline laid down by the Act of Accession for the introduction of the common system of VAT (1 January 1984). Taking note of the difficulties pointed out by the Greek Minister for National Economy in October 1985,¹² Parliament approved the proposal, subject to the Commission cooperating with the Greek Government in monitoring Greece's detailed programme for introducing VAT on 1 January 1987 and to Greece honouring its commitment to pay its financial contribution for 1986 on the basis of the VAT base specified in the preliminary draft budget. It also recommended that this deferment be the last to be granted.

2.1.65. On 21 May the Economic and Social Committee delivered a favourable opinion (→ point 2.4.23) on a proposal for a Directive concerning VAT rules applicable to the operation of a future cross-Channel fixed link.¹³

¹ OJ L 222, 14.8.1978.

² OJ L 193, 18.7.1983; Bull. EC 6-1983, point 2.1.70.

³ OJ C 155, 21.6.1986; COM(86)315 final.

⁴ OJ L 375, 31.12.1985; Bull. EC 12-1985, point 2.1.82.

⁵ OJ C 313, 4.12.1985; Bull. EC 11-1985, point 2.1.65.

⁶ COM(86)260 final.

⁷ OJ L 192, 24.7.1986; Bull. EC 7/8-1985, point 2.1.74.

⁸ OJ L 145, 13.6.1977; Bull. EC 5-1977, points 1.3.1 to 1.3.4.

⁹ OJ C 148, 16.6.1986.

¹⁰ OJ C 356, 31.12.1985; Bull. EC 1-1986, point 2.1.57.

¹¹ First deferment: OJ L 360, 23.12.1983; Bull. EC 12-1983, point 2.1.54.

¹² Bull. EC 10-1985, point 2.1.2; Bull. EC 11-1985, point 1.3.5.

¹³ OJ C 358, 31.12.1985; Bull. EC 12-1985, point 2.1.84.

Employment, education and social policy

Council

2.1.66. On 29 May the Council and the Ministers for Health meeting within the Council approved a number of proposals presented by the Commission.

They first approved a programme of action against cancer,¹ the importance of which was stressed by the European Council in Milan on 28 and 29 June 1985,² based *inter alia* on the conclusions of the *ad hoc* Committee of High-level Experts on Cancer.³ The programme concentrates on the following priority areas: limiting and reducing tobacco consumption (top priority); chemical substances; nutrition and alcohol; prevention and early diagnosis; epidemiological data; health education; treatment and follow-up; and international cooperation. The programme will last for five years and will be implemented by means of annual work programmes to be submitted by the Commission in close cooperation with the Member States.

Secondly, they adopted a programme of action of the European Communities on toxicology for health protection,⁴ the main aim of which is to contribute to the improvement of expertise, ensure the quality and comparability of data and testing methods, encourage more rational and more economic use of toxicological experiments and facilitate the removal of certain non-tariff barriers to trade.

To that end, the programme provides for the implementation by the end of 1990, by means of annual work programmes, of certain measures in the fields of experimental toxicology, clinical toxicology and training and information.

The Council and the Ministers meeting within the Council also adopted three resolutions:

(i) In the first, concerning alcohol abuse, they invite the Commission to weigh carefully the interests involved in the pro-

duction, distribution and promotion of alcoholic beverages against those of public health. The Commission is asked to conduct a balanced policy and, where necessary, to send the Council proposals aimed at preventing alcohol abuse.

(ii) The second resolution concerns the introduction of a European Emergency Health Card⁵ and is intended to provide further protection for the health of European citizens and enhance their freedom of movement. It is in line with the efforts to establish a people's Europe⁶ and stems from an initiative by Parliament.⁷

It recommends that the Member States make it possible for any person resident on their territories whose health problems ought to be identifiable in an emergency to obtain, on a voluntary basis, a card to be completed by a doctor in accordance with the specimen annexed to the resolution.

(iii) The third resolution relates to the protection of dialysis patients, by minimizing their exposure to aluminium,⁸ and is intended as a response to the problems of the growing number of people in the Community who need to resort to dialysis. It includes recommendations concerning the purity of the solutions and diluting water used in dialysis.

The Ministers for Health meeting within the Council adopted a resolution on AIDS, inviting the Member States and the Commission to examine what joint activities can be developed in the field of information and education to bolster the campaign against AIDS and what joint initiatives should be taken to solve the problems of AIDS transmission by human body fluids and the medi-

¹ OJ C 336, 28.12.1985; Bull. EC 11-1985, point 2.1.85; Bull. EC 12-1985, point 2.1.41.

² Bull. EC 6-1985, point 1.2.3.

³ Bull. EC 1-1986, point 2.1.78; Bull. EC 2-1986, point 2.1.91; Bull. EC 3-1986, point 2.1.92.

⁴ OJ C 289, 12.11.1985; Bull. EC 10-1985, point 2.1.70.

⁵ OJ C 21, 28.1.1984; Bull. EC 12-1983, point 2.1.88; OJ C 223, 3.9.1985; Bull. EC 7/8-1985, point 2.1.99.

⁶ Supplement 7/85 — Bull. EC.

⁷ OJ C 287, 9.11.1981; Bull. EC 10-1981, point 2.1.65.

⁸ OJ C 202, 29.7.1983; Bull. EC 6-1983, point 2.1.93; OJ C 250, 20.6.1985; Bull. EC 6-1985, point 2.1.80.

cal, psychological and social problems of persons on whom serological tests have proved positive. They also asked the Commission to organize an exchange of information and experience and, where appropriate, to bring forward suitable proposals.

The Council and the Ministers adopted a statement on the coordination of medical and public health research in which they express support for the Community's coordination programmes in those spheres and recognize the need to strengthen the coordination of Community activities in the fields of research and public health.

Lastly, they heard a report by Mr Manuel Marín, Commission Vice-President with special responsibility for employment, social affairs and education, which took stock of the situation in the fight against drug addiction.

1985 Social Report

2.1.67. On 20 May the Commission adopted the 1985 Report on Social Developments for presentation to the Council, the Economic and Social Committee and the other Community institutions and bodies.¹ As in previous years,² the report reviews the action taken at Community level in the social field and describes the situation in the ten Member States.

Although 1985 showed signs of even more sustained growth than the previous year (real increase in GDP of around 2.2%), a substantial improvement in the trade balance and a further reduction in inflation, this favourable trend was still not reflected to any significant extent in the social field. The number of unemployed continued to increase, albeit at a slower rate. At the end of 1985 more than 13 million people (or more than 11% of the working population) were registered as unemployed with the employment offices. With the entry of Spain and Portugal on 1 January 1986, the number rose still further — by more than three million.

The various categories of workers were affected by the trend in unemployment in

varying ways. While the proportion of people under 25 of the total number of unemployed was cut from 41% in October 1982 to 37.4% in October 1985, there was a slight increase in the proportion of women, but the main burden is borne by the long-term unemployed and migrant workers. Persistent unemployment means that more and more people have been seeking employment or re-employment for some time.

The significant progress in the fight against inflation was achieved only as a result of a general wage restraint policy: in 1985 the two sides of industry once again showed their willingness to help bring about a recovery of the economy and labour markets. In spite of restraint on actual earnings, workers in most Member States saw their net disposable income increase slightly in real terms thanks to measures restricting price increases, tax cuts and reduced social security contributions.

However, the situation of those without work worsened considerably in some cases, particularly the long-term unemployed. By virtue of different national provisions, their rights to unemployment benefits under statutory social security schemes expire after a certain period and they are obliged to seek help from social welfare schemes or other forms of public or private assistance. But the budgetary constraints facing all governments also have adverse effects on benefits under national social security schemes.

After receiving the Commission's final report on the implementation of an initial programme to combat poverty, the Council adopted a Decision regarding further specific Community action in this area on 19 December 1984.³ The Commission then granted initial financial support of 18 million ECU in October 1985 to implement a series of 61 research projects whose chief

¹ COM(86)253.

² Bull. EC 4-1985, point 2.1.48.

³ OJ L 2, 3.1.1985; Bull. EC 12-1984, point 2.1.95; 1984 Social Report, point 16.

aim is to find ways of combating poverty among the unemployed (young and long-term unemployed), second generation migrants, refugees, migrants wishing to return to their country of origin, the elderly and one-parent families.¹

Certain specific measures in the field of health at Community level were given fresh impetus by the proposals presented to the European Council in Milan² by the *ad hoc* Committee on a People's Europe which call on Ministers for Health to take appropriate action regarding certain activities in this field. On 18 November 1985 the Commission transmitted to the Council a proposal for a resolution on a programme of action of the European Communities on cancer prevention,³ to supplement measures already taken by the Community in the past, such as the Directive adopted under the Euratom Treaty laying down basic safety standards for the health protection of the general public and workers against the dangers of ionizing radiation⁴ and the Directive aimed at reducing the possible risk of cancer from x-rays used for medical purposes.⁵

Finally, 1985 saw an important step towards the revival of the social dialogue at Community level. On 31 January⁶ and 12 November⁷ the President and several Members of the Commission met top-level employers' and workers' representatives at Val-Duchesse château on the outskirts of Brussels for a constructive discussion of structural and cyclical aspects of the current economic and social situation and ways of improving investment, growth and employment in the Community.

Employment

Employment and labour market

2.1.68. A seminar on employment practices in firms in the United States and Europe organized by the Commission and the United States Industry Coordination Group was held in Bruges, Belgium, on 15 and 16 May. The objective of the seminar was to permit

an exchange of experience and discussion of areas of common policy interest.

2.1.69. A joint meeting⁸ of the Sedoc⁹ group and the group on exchanges of placement service officials between Member States was held on 21 May. The main topic was a discussion of questions relating to the development of Sedoc and exchanges of officials with a view to greater integration of the Community labour market.

Financial instruments

European Social Fund

2.1.70. On 7 and 26 May the Commission approved applications for assistance from the Fund for 1986 totalling 2 554.6 million ECU for more than 3 000 projects, 75% of which concern young people under 25.

Breakdown of applications approved by category	Amounts (million ECU)
Operations for people under 25:	
— less-favoured regions	871.62
— other regions	1 045.59
Operations for people over 25:	
— less-favoured regions	267.00
— other regions	275.91
Specific operations	94.49
Total	2 554.61

Measures for ECSC workers

Subsidized housing

2.1.71. Under the tenth programme of subsidized housing for workers in the indus-

¹ Bull. EC 10-1985, point 2.1.63.

² Bull. EC 6-1985, point 1.2.3.

³ OJ C 336, 28.12.1985; Bull. 11-1985, point 2.1.85.

⁴ OJ L 246, 17.9.1980; Bull. EC 7/8-1980, point 2.1.54;

OJ L 265, 5.10.1984; Bull. EC 9-1984, point 2.1.55.

⁵ OJ L 265, 5.10.1984; Bull. EC 9-1984, point 2.1.55.

⁶ Bull. EC 1-1985, point 2.4.19.

⁷ Bull. EC 11-1985, point 2.5.15.

⁸ Previous meeting; Bull. EC 2-1986, point 2.1.70.

⁹ European system for the international clearing of vacancies and applications for employment.

tries covered by the ECSC Treaty,¹ on 7 May the Commission approved a second instalment of loans which will cover the period 1986 to 1988.² Of the 129 million ECU granted, 39 million ECU will be from own resources at an annual interest rate of 1% and 90 million ECU will be from loan capital at the market rate. The distribution of the funds will be decided by the Commission at a later date in accordance with selection criteria.

The ECSC subsidized housing programmes are seen as an essential measure accompanying restructuring and social policy in the coal and steel industries.

Education and vocational training

Informal meeting of Education Ministers

2.1.72. On 16 May an informal meeting of Education Ministers was held in The Hague to commemorate the tenth anniversary of European cooperation in education. The purpose of the meeting was to take stock of Community cooperation in education ten years on and to consider the future of education policy in the Community.

The Community education programme, which has been applied since 1976,³ covers the education of migrant workers' children, the promotion of equal access to all forms of education, measures to combat illiteracy, an easier transition from school to adult and working life, the introduction of new information technologies in education, promotion of the teaching of Community languages and greater cooperation in higher education through increased mobility of students and teachers and the recognition of diplomas and periods of training.

Ministers had a detailed discussion on the type of measure which could make up an additional programme such as intensification and improvement of basic education (what Europeans of the future need to know), greater cohesion between education

and vocational training policies, more research into the transition from school to working life, and the development of Community measures to promote postgraduate training and high-level further training.

Finally, Ministers discussed the Comett,⁴ Erasmus⁵ and 'Yes for Europe'⁶ programmes — aimed at promoting greater mobility among young people, improving their education and encouraging exchanges of young people to enable them to get to know and understand each other better as part of becoming the European citizens of tomorrow.

Cooperation in education

2.1.73. As part of its work on the comparability of education systems in the Member States, the Commission, with the Greek authorities, organized a seminar for Eurydice heads of unit on the Greek education system.⁷ This seminar, which was held on 21 and 22 May, was followed on 23 May by a meeting of the working party of Eurydice heads.

Higher education

2.1.74. On 16 May Parliament adopted an opinion⁸ on the proposal for a Decision adopting a European Community action scheme for the mobility of university students (Erasmus).⁵ It welcomes the fact that Erasmus will bring about a gradual alignment of educational courses and methods in Europe and stresses the cohesion and comprehensiveness of the scheme. In order to avoid distortion of mobility, it urges the Commission to formulate proposals concerning first the most suitable package of measures to solve the problems raised by

¹ OJ C 119, 14.5.1985; Bull. EC 12-1984, point 2.1.90.

² Bull. EC 5-1985, points 2.1.40 and 2.3.12.

³ OJ C 38, 19.2.1976.

⁴ Bull. EC 12-1985, point 2.1.102.

⁵ OJ C 73, 2.4.1986; Bull. EC 1-1986, point 2.1.63.

⁶ OJ C 72, 27.3.1986; Bull. EC 2-1986, point 2.1.73.

⁷ Education information network in the European Community.

⁸ OJ C 148, 16.6.1986.

the application of the numerus clausus and by the enrolment fee and second the harmonization of social security systems and regulations for the benefit of students and teachers. Finally, Parliament asks the Commission to submit to it a report on the conclusion of the first phase of the scheme's implementation.

Vocational training

2.1.75. On 29 May the Commission adopted a report on youth training in the European Community with a view to its transmission to the Council.¹ The report contains a comparative analysis of the progress made in the Member States on specific measures to assist young people, under the terms of the Council resolution of 11 July 1983 concerning vocational training policy in the European Community in the 1980s.² This resolution committed the Member States to 'do their utmost to ensure that all young people who so wish, and particularly those without educational or vocational qualifications, can benefit over a period of at least six months and if possible one year following full-time compulsory education from a full-time programme involving basic training and/or an initial work experience to prepare them for an occupation'.

New technologies

2.1.76. The fifth European conference on education and the new information technologies, entitled 'CAL for Europe', organized by the Dutch authorities and the Commission, was held from 26 to 28 May in Twente, Netherlands. The conference discussions focused on computer-assisted learning (CAL) and the preparation and production of educational software. The conclusions showed the desire of those taking part to establish links and joint projects between Member States to improve the design and quality and encourage the exchange of software.

Living and working conditions and social protection

The fight against poverty

2.1.77. As part of its specific action to combat poverty,³ the Commission approved financial assistance for a project aimed at drawing up poverty indicators in a number of Member States.

Accession-related measures

2.1.78. On 28 May the Commission adopted, for transmittal to the Council, a proposal for a Decision extending this action to Spain and Portugal.⁴

Equal opportunities for men and women

2.1.79. On 13 May Parliament adopted an opinion⁵ on the new Community medium-term programme (1986-90) to promote equal opportunities for women.⁶ It stresses with satisfaction that this new programme defined the measures to be undertaken far more precisely than did the first.⁷ It calls on the Commission to monitor carefully the enforcement of existing directives and calls on the Council to adopt the proposals for directives currently before it.

Parliament also recommends the implementation of action to ease the transition from school to working life for girls, more satisfying careers, a fairer division of family and professional responsibilities, better vocational in technological subjects and guarantees that women can return more easily to gainful employment. It wants the Commission to present proposals for directives to harmonize protection for pregnant

¹ COM(86) 285 final.

² OJ C 193, 20.7.1983; Bull. EC 6-1983, point 1.4.1 *et seq.* and 2.1.80.

³ OJ L 2, 3.1.1985; Bull. EC 12-1984, point 2.1.95.

⁴ OJ C 151, 17.6.1986; COM(86)275 final.

⁵ OJ C 148, 16.6.1986.

⁶ Supplement 3/86 — Bull. EC; OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.106.

⁷ OJ C 22, 28.1.1982; Supplement 1/82 — Bull. EC.

women and mothers, childcare provisions, tax systems, through the introduction of individual taxation irrespective of marital status, and legal safeguards, thereby guaranteeing more equal opportunities throughout the Community. It also calls on the Commission to give particular consideration to the difficulties encountered by female immigrants and women from the many ethnic minority groups in the Community. It notes that information about the various existing equal opportunities measures still has to be disseminated among women themselves and renews its call for women and the public at large to be kept more fully informed about all the measures undertaken at Community level. Finally, Parliament calls on the Commission to make a progress report to it, by 31 October 1988, on the implementation of the new action programme.

2.1.80. Two seminars concerning the impact of the new technologies on women's employment were held in Athens and Utrecht this month. The Commission will take account of the conclusions of these seminars in drawing up guidelines on this matter.

2.1.81. The Commission organized meetings with women's organizations and publications in most Member States, including the two new ones, to discuss the medium-term action programme on equal opportunities (1986-90).¹

Social integration of handicapped persons

2.1.82. On 15 May Parliament adopted an opinion² on the memorandum and draft recommendation to promote the employment of disabled people in the Community.³ Recognizing that disabled people have the same rights as other citizens to equal opportunities in vocational training and employment, Parliament welcomes the Commission's initiative. It regrets, however, that the draft recommendation is couched in terms that are both unambitious and too general and that the Commission has not seen fit to come forward with a

draft directive on the subject at this stage. It considers that, apart from their non-binding nature, one of the main flaws in the proposals set out in the draft is the unwillingness to recommend the application of a quota system in respect of the employment of the disabled throughout the Community. It also considers that care should be taken to ensure that employment given to the disabled is suited to their physical and mental abilities or that any vocational training they may receive likewise falls within the scope of those abilities. Finally, it wants the Commission to submit to it a report on the implementation of this recommendation by the end of 1988.

Social protection

2.1.83. On 29 May the Commission adopted its second annual report on medium-term projections of social protection expenditure and its financing.⁴ The report makes projections for 1987 from definitive 1982 statistics.

Social security for migrant workers

2.1.84. On 28 May the Commission adopted, for transmittal to the Council, a report⁵ on the experience acquired in applying the provisions of Article 22(2) of Regulation (EEC) No 1408/71 on the application of social security schemes to employed or self-employed persons and members of their families moving within the Community,⁶ which concerns the conditions under which workers or members of their families may be granted authorization to undergo medical treatment in another Member State.

¹ Supplement 3/86 — Bull. EC; OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.106.

² OJ C 148, 16.6.1986.

³ Bull. EC 1-1986, point 2.1.66.

⁴ COM(86)304 final. Previous report: Bull. EC 4-1985, point 2.1.59.

⁵ COM(86) 305 final.

⁶ OJ L 149, 5.7.1971.

2.1.85. On 21 May the Economic and Social Committee gave a favourable opinion (→ point 2.4.24) on the proposal for an amendment¹ to Regulations (EEC) Nos 1408/71² and 574/72³ on the application of social security schemes to employed or self-employed persons and members of their families moving within the Community.

Accession-related measures

2.1.86. In May Parliament endorsed⁴ the proposal for an amendment⁵ to Regulations (EEC) Nos 1408/71² and 574/72³.

Paul Finet Foundation

2.1.87. The Executive Committee of the Paul Finet Foundation examined 364 applications and awarded 313 study grants for a total of BFR 4 920 446.

Family policy

Elderly people

2.1.88. On 14 May Parliament adopted a resolution on Community measures to improve the situation of old people in the Member States of the Community, in which it considers that improving the lot of the elderly has to be one of the priority objectives for Community social policy and that, if this objective is to be attained, increased budgetary funds must be earmarked for it (→ point 2.4.11).⁶

Children in hospital

2.1.89. On 13 May Parliament adopted a resolution on a European charter for children in hospital (→ point 2.4.11)⁶

Health and safety

Public health

2.1.90. On 12 May Parliament adopted an opinion on the proposal for a resolution on a programme of action of the European

Communities on cancer prevention (→ point 2.1.98).

Health and safety at work

2.1.91. On 12 May the Council formally adopted⁷ the Directive on the protection of workers from the risks related to exposure to noise at work,⁸ on which it had reached agreement on 5 December 1985.⁹ Its provisions should be in force in the Member States by 1 January 1990 at the latest (1 January 1991 in the case of Greece and Portugal).

The Council is to examine, by 1 January 1990, the possibility of extending the scope of the Directive to include workers engaged in sea and air transport (crew members), who are not at present covered. It will also re-examine the Directive by 1 January 1994 with a view to reducing the risks arising from exposure to noise.

Lastly, the Council undertook to introduce provisions limiting, where reasonably practicable, noise liable to cause impairment of hearing emitted by equipment intended for use at work.

2.1.92. The Advisory Committee on Safety, Hygiene and Health Protection at Work held its 18th plenary meeting on 21 and 22 May.¹⁰ It delivered two opinions, one on the rapid exchange of information on hazards arising from the use of dangerous substances at the workplace¹¹ and the other on the approximation of the laws of the Member States relating to simple pressure vessels.¹² The Committee also

¹ OJ C 103, 30.4.1986; Bull. EC 4-1986, point 2.1.70.

² OJ L 149, 5.7.1971.

³ OJ L 74, 27.3.1972.

⁴ OJ C 148, 16.6.1986.

⁵ OJ C 71, 26.3.1986; Bull. EC 3-1986, point 2.1.79.

⁶ OJ C 148, 16.6.1986.

⁷ OJ L 137, 24.5.1986.

⁸ OJ C 289, 5.11.1982; Bull. EC 10-1982, point 2.1.45; OJ C 214, 14.8.1984; Bull. EC 7/8-1984, point 2.1.102.

⁹ Bull. EC 12-1985, point 2.1.114.

¹⁰ Previous meeting: Bull. EC 12-1985, point 2.1.115.

¹¹ OJ C 67, 8.3.1984; Bull. EC 2-1984, point 2.1.79.

¹² Bull. EC 3-1986, point 2.1.13.

decided to set up an intermediate group with the task of coordinating and intensifying its work. Lastly, it reaffirmed its wish to be involved in the new approach adopted by the Commission¹ with the aim of completing the internal market by 1992.²

Health and safety (Euratom)

2.1.93. Under Article 33 of the Euratom Treaty, the Commission endorsed two draft radiation protection measures prepared by the Federal Republic of Germany. The first relates to protection against damage due to ionizing radiation and implements the Council Directive of 15 July 1980 (80/836/Euratom),³ as amended by the Directive of 3 September 1984 (84/467/Euratom),⁴ while the second—prepared in accordance with the abovementioned Directives and with Directive 84/466/Euratom of 3 September 1984⁴—concerns the radiation protection of persons undergoing medical examinations or treatment.

2.1.94. The scientific experts on radiation protection and public health referred to in Article 31 of the Euratom Treaty met on 22 and 23 May. The agenda included examination of the various radiological problems associated with the Chernobyl accident and of the conclusions to be drawn from it at Community level. A working party was set up with the task of formulating, in the months ahead, scientific proposals concerning the exposure levels to be taken into account in the implementation of appropriate countermeasures: imports and exports of foodstuffs; critical pathways, populations and radioelements (→ point 1.1.1 *et seq.*).

A people's Europe

Easing of restrictions on Community nationals which undermine the Community's credibility

Free movement of goods

Exchange control

2.1.95. On 21 May the Commission adopted for transmittal to the Council a communication setting out a programme for the liberalization of capital movements in the Community (→ point 1.2.1 *et seq.*).

Citizen's rights

Right of employment and residence

Right of establishment

2.1.96. On 7 May the Commission amended⁵ its proposal for a Council Directive on a general system for the recognition of higher education diplomas.⁶ The amended proposal incorporates a number of changes proposed by Parliament⁷ and the Economic and Social Committee⁸ and certain changes identified as desirable in the course of preliminary discussions following publication of the original proposal.

The changes now made by the Commission include the following: it is made clearer that the object of the proposal is recognition for

¹ Bull. ec 11-1985, point 2.1.18.

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

³ OJ L 246, 17.9.1980; Bull. EC 7/8-1980, point 2.1.154.

⁴ OJ L 265, 5.10.1984; Bull. EC 9-1984, point 2.1.55.

⁵ OJ C 143, 10.6.1986; COM(86) 257 final.

⁶ Supplement 8/85 — Bull. EC; OJ C 217, 28.8.1985; Bull. EC 7/8-1985, point 1.4.1 *et seq.*

⁷ OJ C 345, 31.12.1985; Bull. EC 11-1985, point 2.1.41.

⁸ OJ C 75, 3.4.1986; Bull. EC 1-1986, point 2.4.28.

professional rather than academic purposes; the definition of higher education diploma includes the necessary distinction between the level of study and the body awarding the diploma; a stipulation is made with regard to the method of assessment to be used concerning supervised practice; the non-qualification-related proofs which a host Member State may require of nationals of other member States wishing to pursue a profession in its territory, providing that it also requires them of its own nationals, are divided into two categories; and lastly, account is taken of the fact that, in the member States, representatives of the regulated professions — and indeed of educational establishments — traditionally have a role to play in the authorization procedures for admission to the profession with which they are concerned.

Health and social security

Council and Ministers of Health

2.1.97. A meeting of the Council and of the Ministers of Health meeting within the Council was held on 29 May (→ point 2.1.66), and the texts listed below were approved.

(i) A programme of action against cancer.¹ The importance of this programme, which is based largely on the conclusions of the *ad hoc* Committee of High-level Experts in this field,² was stressed by the European Council in Milan.³ It concentrates on the following priority areas: limiting and reducing the use of tobacco (first priority), chemical substances, nutrition and alcohol, prevention and early diagnosis, epidemiological, health education, treatment and follow-up and international cooperation.

(ii) A programme of action toxicology for health protection.

(iii) A resolution on AIDS requesting the Member States and the Commission to carry out information and educational cam-

paigns and to solve the problems of transmission.

(iv) A resolution on alcohol abuse.

(v) A resolution on the adoption of a European Emergency Health Card to provide further protection for the health of European citizens and to increase their freedom of movement.

(vi) A resolution on the protection of dialysis patients.

A statement was adopted on the coordination of medical and public health research. Finally, the Council and Ministers heard a report by Mr Manuel Marín, Commission Vice-president with special responsibility for social affairs, taking stock of the situation in the fight against drug addiction.

*

2.1.98. On 12 May Parliament adopted an opinion⁴ on the draft Council resolution on a programme of action of the European Communities on cancer prevention.⁵ The House stressed the impact which initiatives at Community level could have, pointing out at the same time that any cancer prevention programme required the support of national and European legislation, local authorities, industry, education authorities and individual citizens.

It considered that, since there were known links between the level of radioactivity in the atmosphere and high incidences of cancer, if a radioactive leak did occur it was the entire responsibility of the Member State concerned to immediately and fully inform the governments of the other Member States of the dangers; it called for the Commission proposals to be implemented swiftly and

¹ OJ C 336, 28.12.1985; Bull. EC 11-1985, point 2.1.85; Bull. EC 12-1985, point 2.1.41.

² Bull. EC 1-1986, point 2.1.78; Bull. EC 2-1986, point 2.1.91; Bull. EC 3-1986, point 2.1.92.

³ Bull. EC 6-1985, point 1.2.3.

⁴ OJ C 148, 16.6.1986.

⁵ OJ C 336, 28.12.1985; Bull. EC 11-1985, point 2.1.85.

not by drawing up an individual directive for every carcinogen; it stressed the need for an immediate prohibition of all products which were doubtful or which had not been shown to be harmless and accordingly called upon the Commission to revise all directives limiting or prohibiting the use of noxious substances to make them more restrictive; finally, it regarded as ludicrous the sum of 650 000 ECU proposed for the first year of the five-year programme and requested that it be doubled and that the appropriations for the whole five-year period should be trebled.

Strengthening the Community's image and identity

Community flag, emblem and anthem

2.1.99. The European flag adopted by the Community institutions¹ was hoisted for the first time on 29 May in front of the Berlaymont building in Brussels in the presence of Mr Jacques Delors, President of the Commission, Mr Pierre Pflimlin, President of Parliament, Mr Carlo Ripa di Meana, Member of the Commission with special responsibility for a people's Europe, and the Dutch Permanent representative, Mr M.H.J.C. Rutten, representing the President of the Council.

The European anthem (the 'Ode to Joy' theme from the fourth movement of Beethoven's Ninth Symphony) was played to mark the occasion.

Extracts from Mr Delors's speech at the ceremony are reproduced below:

'... To those of us who might feel a little discouraged before the routine and sometimes thankless task of European integration, I would suggest that they look back on these forty years of internal peace and see how much has been achieved. Listen to the voices raised in an era that was no doubt harsher than our own, when there was no Community as we know it today, when a repetition of the upheavals in Europe was a serious danger.

... Those of us who at the heart of this Community can see better than anyone its shortcomings and its limitations. The world has changed, and we are

facing new challenges. Europe, be it said, has not always been in the forefront of clear thinking; it has not always thrown itself heart and soul into confronting these new problems and facing up to its worldwide responsibilities.

Europe is generous and realistic when it widens its family circle, mean and full of illusions when it is unable simply to put its decisions into practice. As we struggle with all our might, then, we experience moments of pride and hope alternating with periods in which we want to cry out to all our Governments that they are becoming bogged down in minor squabbles or in hypocrisy, untroubled by conscience, under the guise of realism...

In our moments of doubt and perplexity, let us turn to Robert Schuman and keep faith with his heritage. Faith in an ideal which is never questioned. Patience in the pursuit of the final achievement, in which that which is torn down one day can be rebuilt the next. The passion for winning over governments and leaders, without losing sight of their individual strengths or the reasons for their doubts. The strong and quiet wisdom of those who have chosen to devote their lives to a fight for this great project for peace, freedom and solidarity which is the European Community ...'

Regional policy

Financial instruments

European Regional Development Fund

ERDF grants

Project financing

2.1.100. On 14 May the Commission approved the third allocation of grants for 1986 from the European Regional Development Fund: 174.01 million ECU for 308 investment projects, costing a total of 354.44 million ECU. All the projects involved cost less than 5 million ECU each.

The assistance granted under this allocation is distributed as shown in Table 5.

¹ Bull. EC 4-1986, point 2.1.81.

Table 5 — ERDF grants: third 1986 allocation

	Number of grant decisions	Number of investment projects	Investment assisted (million ECU) ¹	Assistance granted (million ECU) ¹
Belgium	2	2	3.19	1.59
Denmark	1	3	0.44	0.20
Germany (FR)	41	62	107.67	8.18
Greece	6	30	26.62 ²	76.82
Spain	8	11	22.64	7.64
France	3	5	15.14	7.57
Ireland	2	11	14.52	6.41
Italy	31	90	91.73	39.23
Luxembourg	—	—	—	—
Netherlands	—	—	—	—
Portugal	—	—	—	—
United Kingdom	26	94	72.49	26.37
Total	120	308	254.44	174.01

¹ Converted at January 1986 rates.

² Not including a 316.9 million ECU project assisted at the end of 1985. See Bull. EC 12-1985, point 2.1.129 (Table 5).

The total of 174.01 million ECU breaks down as follows:

- (i) 6.82 million ECU to help finance 69 projects falling into the 'industrial, craft and service sectors' category;
- (ii) 167.20 million ECU to help finance 239 infrastructure projects.

This third ERDF allocation for 1986 brings the number of projects financed since the Fund was set up to 29 846, and total assistance granted to 14 620.44 million ECU.

Programme financing

2.1.101. On 27 May the Commission determined the steel areas in Italy that are eligible for aid from the former non-quota section of the Fund under the second stage of the specific Community measure in favour of certain areas adversely affected by restructuring in the steel industry.¹ These are the provinces of Naples, Livorno,

Taranto and Genoa, to which it is now planned to grant Community financing of 30 million ECU.

Accession-related measures

2.1.102. On 23 and 26 May respectively,² the Commission amended its proposals for the first two Community programmes to be part-financed by the ERDF, the STAR programme (advanced telecommunications services)³ and the Valoren programme (to exploit indigenous energy potential).⁴ In addition to specifying the regions of Spain and Portugal concerned by the programmes, the amendments introduce a special provision allowing aid to Portuguese regions to be granted at a higher rate.

¹ OJ L 27, 31.1.1984; Bull. EC 1-1984, point 2.1.54.

² OJ C 147, 14.6.1986; COM(86) 278 final; COM(86) 279 final.

³ OJ C 356, 31.12.1985; Bull. EC 1-1986, point 2.1.81.

⁴ OJ C 358, 31.12.1985; Bull. EC 1-1986, point 2.1.82.

2.1.103. On 21 May the Economic and Social Committee endorsed the Valoren programme proposal (→ point 2.4.25).

Financing of studies

2.1.104. Acting under Article 24 of the Fund Regulation, the Commission decided on 12 May to grant assistance of 102 000 ECU to finance a study closely connected with Fund operations in the Federal Republic of Germany, in preparation for an environmental programme for small business at Neukölln/Berlin.

Business and innovation centres

2.1.105. On 27 May the Commission approved grants of 147 000 ECU and 75 000 ECU respectively for conversion projects in two declining industrial areas — Bilbao (Spain) and Cheshire (United Kingdom).

The projects involve work on the preparation, starting up or completion of two business and innovation centres that provide a full range of support services to small firms or new innovative activities in the areas in question.

Environment and consumers

Environment

2.1.106. Following the nuclear accident at Chernobyl the Commission asked the Member States to supply it regularly with information concerning radioactivity levels on their territories so as to keep it abreast of the impact of radioactivity on the environment in the Community (→ point 1.1.1 *et seq.*).

Prevention and reduction of pollution and nuisances

Protection of the aquatic environment

2.1.107. The Economic and Social Committee delivered a favourable opinion in

May (→ point 2.4.29) on the proposal for a Commission Directive on water quality objectives for chromium.¹

Air pollution

2.1.108. On 13 May the Commission adopted two proposals for Directives on the approximation of the laws of the Member States relating to measures to be taken against the emission of particulates from cars with diesel engines² and against air pollution by gases from commercial vehicles with diesel engines.³

These proposals form part of the continuing Community measures against air pollution: in March 1985 the Council had already adopted a Directive on the introduction of unleaded petrol from 1989,⁴ and in November, following on from conclusions arrived at in June,⁵ it reached broad agreement on new values for motor vehicle emissions.⁶

2.1.109. The first proposed Directive is designed to limit emissions of particulate from cars with diesel engines. For this purpose it establishes limit values for particulate emissions which are specific to diesel engines and considered to contain carcinogenic substances. The restriction of such emissions is all the more necessary since the number of diesel-powered motor vehicles is constantly on the increase and will rise from 5.8 million in the Community at the end of 1984 to 15 million by 1990. Future European standards will be as follows:

¹ OJ C 351, 31.12.1985; Bull. EC 12-1985, point 2.1.141.

² COM(86) 261.

³ COM(86) 273.

⁴ OJ L 96, 3.4.1985; Bull. EC 3-1985, point 2.1.70.

⁵ Bull. EC 6-1985, point 2.1.97 *et seq.*

⁶ Bull. EC 11-1985, point 2.1.112.

Category of vehicles	Date of introduction		Limit values (grams/test)	
	New models	New cars	New models	New cars
More than 2 litres	1 October 1988	1 October 1989	1.3	1.7
2 litres or less	1 October 1991	1 October 1993	1.3	1.7

These values will take effect at the same time as the new European standards for gaseous emissions from motor vehicles.¹

2.1.110. The second proposal is designed to introduce restrictions on the emissions of pollutant gases from commercial vehicles fitted with diesel engines, including buses and coaches. The impact of commercial vehicles in terms of pollution, which has not been subject to any regulations in the Member States as yet, is being felt more and more by virtue of the fact that car emissions are being reduced considerably by the Community regulations already in existence.² This proposal is based on a regulation issued by the United Nations Economic Commission for Europe, from which it takes the technical test procedure but establishes more stringent limit values, which are as follows:

- 11.2 g/kWh for carbon monoxide;
- 2.4 g/kWh for unburnt hydrocarbons;
- 14.4 g/kWh for nitrogen oxides.

The limit values must be met 18 months after adoption by the Council for any new type of commercial vehicle and from 1 October 1990 for all new commercial vehicles brought into service.

Chemicals

Asbestos

2.1.111. At its May session the Economic and Social Committee delivered an opinion on the Commission proposal for the prevention of environmental pollution by asbestos,³ in which it called for more stringent

standards than those put forward by the Commission (→ point 2.4.28).

Major-accident hazards

2.1.112. The Commission organized a further meeting⁴ of the national authorities responsible for implementing the Council Directive of 24 June 1982 on the major-accident hazards of certain industrial activities.⁵ The emphasis at the meeting was placed on the need for harmonized implementation of the Directive at Community level and for proper incorporation into the laws of the Member States. Several Member States also provided the Commission with a national inventory of industrial installations subject to the obligation to notify under Article 5 of the Directive. They also gave detailed information of a number of major accidents that have occurred in the Community since the Directive entered into force. With this as a basis the Commission will organize an exchange of information, as required by Article 18 of the Directive.

Protection and use of resources

Flora and fauna

Washington Convention

2.1.113. The Economic and Social Committee delivered its opinion in May

¹ Bull. EC 6-1985, point 2.1.97 *et seq.*

² OJ L 96, 3.4.1985; Bull. EC 3-1985, point 2.1.70; Bull. EC 6-1985, point 2.1.97 *et seq.*; Bull. EC 11-1985, point 2.1.112.

³ OJ C 349, 31.12.1985; Bull. EC 11-1985, point 2.1.119.

⁴ Bull. EC 2-1986, point 2.1.98.

⁵ OJ L 230, 5.8.1982; Bull. EC 6-1982, point 2.1.92.

(→ point 2.4.26) on the amendment to the Regulation on the implementation in the Community of the Convention on International Trade in Endangered Species of Wild Fauna and Flora, as proposed by the Commission to the Council in March.¹

Vertebrates

2.1.114. Also at its May session the Economic and Social Committee delivered an opinion (→ point 2.4.27) on the proposal for a Directive on the protection of vertebrate animals used for experimental and other scientific purposes.²

Consumers

2.1.115. In the wake of the accident at the Chernobyl nuclear power station and the subsequent radioactive fallout, the Council adopted measures needed to ensure consumer safety (→ point 1.1.1 *et seq.*). At the same time, experts responsible for monitoring this fallout remained in contact and exchanged information daily through a rapid foodstuff alert system operated by the Commission.

Council

2.1.116. On 6 May the Council met in Brussels to discuss internal market and consumer protection issues (→ point 2.1.8) and adopted a resolution to give effect to the aims set out in the communication which the Commission sent to it in August 1985 entitled 'A new impetus for consumer protection policy' (→ point 2.1.117). The Council resumed its examination of the proposals for Directives on the indication of prices (→ point 2.1.121) and, in the light of the comments made, suggested bases for agreement on the main provisions of the proposal for a Directive on consumer credit (→ point 2.1.120). It decided to meet again in Luxembourg on 24 June to discuss the results of further examination of this topic by the Permanent Representatives Committee.

New impetus for consumer protection policy

2.1.117. In response to the communication transmitted by the Commission on 4 August 1985,³ which contains new guidelines for consumer policy over the next few years, the Council approved a resolution whereby it:

'Welcomes the submission of the Commission communication, its analysis of the main problems encountered in the past and its presentation of the foundations and the objectives of the "New impetus" programme, notably those concerned with providing consumers with a high level of safety and health protection and an increased ability to benefit from the Community market, both of which will constitute important steps on the road to a "people's Europe";

Approves the objective of taking greater account of consumer's interests in other Community policies, especially those concerned with completion of the internal market, in particular regarding improvements to the quality of products and services, and with agriculture, competition and transport, and invites the Commission to report to the Council on how it intends to achieve this objective;

Invites the Commission, having regard to the work programme contained in its communication, to draw up and submit proposals, in order to enable the Council, where appropriate, to take decisions in due time and to take any necessary action within the period envisaged for the completion of the internal market;

Considers that, to that end and within the overall Community consumer policy objectives, proposals for legislation should focus on those areas where there is a Community dimension. Where there is a need for harmonization at Community-wide level, proposals for such harmonization should be identified with the spirit of the "new approach" set out in the Council resolution of 7 May 1985;

Recalling the conclusions of the European Council of December 1985, underlines the importance of promoting alternative approaches to regulations whenever they offer effective means of significant progress;

Endorses the value of consumer education and information in protecting consumer's interests and

¹ OJ C 97, 25.4.1986; Bull. EC 3-1986, point 2.1.111.

² OJ C 351, 31.12.1985; Bull. EC 12-985, point 2.1.146.

³ Bull. EC 6-985, point 2.1.106.

enabling them to derive maximum benefit from the completion of the internal market;

Notes that the Commission intends to ensure wide consultation of appropriate interests, particularly at the preparatory stage of its proposals.'

Physical protection and product safety

European home and leisure accidents surveillance system (EHLASS)

2.1.118. On 21 and 22 May the Commission set up the Advisory Committee provided for in the Council Decision of 22 April¹ concerning a demonstration project with a view to introducing a Community system of information on accidents occurring in the home and during leisure activities. Made up of two representatives per Member State and chaired by a representative of the Commission, the Committee's function will be to advise the Commission in its managerial tasks and related activities, notably management of the demonstration projects, fatal accidents, accidents involving children and accidents in the home, and product safety.

2.1.119. Wishing to ensure maximum efficiency for the demonstration project, the Commission, in consultation with the authorities in the Member States, also named a working party of project leaders, made up of one expert per Member State, which will be responsible for coordination between the Commission and the Member States as regards technical questions.

Protection of economic and legal interests

Consumer credit

2.1.120. The Council examined the priority provisions involved in the proposal for a Directive relating to the approximation of the laws of the Member States concerning consumer credit.² These provisions concern the effective annual rate of interest, the scope of the Directive (including possible

exemptions), the circumstances in which the right to repossess goods may be exercised, the use of negotiable instruments and the joint liability of the supplier and creditor. The Council called on the Permanent Representatives Committee to continue discussion in the light of the comments made with a view to reaching agreement, if possible on the whole Directive, at its next meeting.

Consumer education, information and representation

Indication of prices

2.1.121. The Council resumed examination of two proposals for Directives, one on the indication of the selling price and the unit price for non-food products³ and the other on the indication of prices of foodstuffs.⁴

Most of the Member States agreed to continue discussions on the basis of the new compromise proposals made by the Commission, which are concerned, in particular, with rules for exemption from the obligation to indicate the unit price for ranges of standardized products. Some Member States did, however, stress the need to ensure that only ranges of products conforming to criteria of clarity and simplicity could be exempted. The Permanent Representatives Committee was asked to continue discussing this issue on the basis of the guidelines set out by the Council.

Foodstuffs

2.1.122. On 26 May the Council amended,⁵ on a proposal from the Com-

¹ OJ L 109, 26.4.1986; Bull. EC 4-1986, point 2.1.100.

² OJ C 80, 27.3.1979; Bull. EC 2-1979, point 2.1.51; OJ C 183, 10.7.1984; Bull. EC 6-1984, point 2.1.86.

³ OJ C 8, 13.1.1984; Bull. EC 12-1983, point 2.1.131; OJ C 205, 14.8.1985; Bull. EC 7/8-1985, point 2.1.134; OJ C 103, 30.4.1986; Bull. EC 3-1986, point 2.1.114.

⁴ OJ C 53, 25.2.1984; Bull. EC 1-1984, point 2.1.66; OJ C 205, 14.8.1985; Bull. EC 7/8-1985, point 2.1.134; OJ C 103, 30.4.1986; Bull. EC 3-1986, point 2.1.114.

⁵ OJ L 144, 29.5.1986.

mission,¹ its Directive of 18 December 1978 on approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs for sale to the ultimate consumer.²

Agriculture

Council

2.1.123. At its meeting on 26 and 27 May the Council incorporated the various aspects of the political agreement reached on 25 April on agricultural prices and related measures for 1986/87 into Community legislation (→ point 2.1.124).

The Council gave its agreement to Directives on plant health and foodstuffs (→ points 2.1.137 to 2.1.139).

In the context of the structures policy, the Council endorsed the proposals for supplementing the list of less-favoured farming areas in the Federal Republic of Germany and for determining such areas in Spain and Portugal (→ points 2.1.134 and 2.1.135). It also endorsed the adaptation, consequent upon the accession of Spain, of its structures Regulations of 12 March 1985 (No 797/85),³ 15 February 1977 (No 355/77)⁴ and 18 June 1978 (No 1360/78).⁵

The Council decided that the suspension of the negative MCAs for pigmeat, eggs and poultry should be maintained unchanged until 30 June,⁶ after receiving assurances that the Commission would adopt a balanced approach towards positive and negative MCAs for those groups of products in respect of the period from 1 July. The Commission also undertook to lay before the management committee concerned proposals for adjustments to the export refunds for pigmeat.

During the meeting the Council also discussed the implications of the accident at Chernobyl for farmers (→ point 1.1.1 *et seq.*), and in particular the possibility of compensating them on the basis of a Community-wide scheme. It is, however, very

difficult to make a distinction between the direct and indirect losses suffered by the farmers, and the adoption of a common approach is being hampered by the fact that the bans which have been imposed vary from Member State to Member State.

Agricultural prices and related measures for 1986/87

2.1.124. The institutional prices, the aids and most of the related measures for 1986/87 have now been formally adopted in the case of products for which there is a market organization. This means that the various aspects of the political agreement reached on 25 April⁷ have been incorporated into the Community rules.

Prior to adopting a number of regulations on cereals, tobacco and wine on 23 May,⁸ the Council formally approved regulations concerning rice, sugar, oils and fats, peas and field beans, textile fibres, seeds, sheepmeat, pigmeat, eggs and poultrymeat.⁹ In the case of several other groups of products (in particular beef/veal, milk and fruit and vegetables) the new regulations were already being applied.¹⁰ For essential aspects, then, the Council has completed the 1986/87 price review.

Economic aspects of the common agricultural policy

Agri-monetary measures

2.1.125. On 29 May the Commission laid before the Council and Parliament a report on the operation, in 1984, of the aid mechanism introduced by the twentieth VAT

¹ OJ C 281, 26.10.1982; Bull. EC 10-1982, point 2.1.62.

² OJ L 33, 8.2.1979.

³ OJ L 93, 30.3.1985; Bull. EC 3-1985, point 2.1.111 *et seq.*

⁴ OJ L 51, 23.2.1977.

⁵ OJ L 166, 23.6.1978.

⁶ OJ L 144, 29.5.1986.

⁷ Bull. EC 4-1986, points 1.4.1 *et seq.* and 2.1.106 *et seq.*

⁸ OJ L 139, 24.5.1986.

⁹ OJ L 133, 21.5.1986.

¹⁰ OJ L 119, 8.5.1986.

Directive of 16 July 1985 to compensate German farmers for the dismantlement of the monetary compensatory amounts for certain agricultural products (→ point 2.1.63).

Market organizations

Sugar

2.1.126. Late adoption by the Council of the new production quota arrangements in the sugar sector¹ meant that Member States could not meet the 1 March 1986 deadline for using the 'strategic reserve' with a view to altering, where applicable, the undertakings' quotas for 1986/87. Accordingly, on 29 May the Commission adopted a Regulation laying down transitional measures on the transfer of quotas in the sugar sector, which postpones the deadline until 1 July 1986.²

Milk and milk products

2.1.127. On 21 May the Commission transmitted to the Council a proposal³ to amend the Regulation of 9 November 1982 on the sale of butter at reduced prices to persons receiving social assistance,⁴ increasing the aid from 80 to 178 ECU/100 kg of butter and extending entitlement to the most poverty-stricken of the unemployed and of pensioners.

2.1.128. The Commission also adopted a special temporary measure designed to facilitate the purchase of butter and skimmed-milk powder from public storage for use in foodstuffs, in particular those for infants,⁵ thus meeting the needs of the milk products industry, which in certain parts of the Community is unable to use fresh milk as a result of the Chernobyl incident (→ point 1.1.1 *et seq.*).

2.1.129. On 14 May the Commission decided, as in previous years, to grant private storage aid for certain cheeses (emmentaler, Gruyère, Kefalotyri and Kasserli), since seasonal storage had proved effective

in restoring a better balance on the markets concerned.⁶

Wine

2.1.130. On 6 May the Council amended,⁷ on a proposal from the Commission,⁸ the Regulation of 5 February 1979 laying down general rules for the description and presentation of wines and grape musts⁹ and the Regulation of 18 November 1985 laying down like rules for sparkling wines and aerated sparkling wines.¹⁰ On the same date it laid down rules for the description of special wines (i.e. liqueur and semi-sparkling wines).¹¹

In these three regulations the Council was responding to the Commission's concern to give the consumer precise information by making it obligatory from 1 May 1988 to indicate actual alcoholic strength by volume on wine labels.

Beef/veal

2.1.131. The Council adopted two Regulations opening, allocating and providing for the administration of Community tariff quotas for:

(i) 38 000 head of heifers and cows, other than those intended for slaughter, of certain mountain breeds, falling within subheading ex 01.02 A II of the Common Customs Tariff (→ point 2.1.49);

(ii) 5 000 head of bulls, cows and heifers, other than those intended for slaughter, of certain Alpine breeds, falling within sub-

¹ OJ L 87, 2.4.1986; Bull. EC 3-1986, point 2.1.121.

² OJ L 145, 30.5.1986.

³ COM(86)218 final.

⁴ OJ L 314, 10.11.1982; Bull. EC 11-1982, point 2.1.82.

⁵ OJ L 130, 16.5.1986.

⁶ OJ L 129, 15.5.1986.

⁷ OJ L 144, 29.5.1986.

⁸ OJ C 120, 5.5.1983; Bull. EC 3-1983, point 2.1.106; OJ C 182, 9.7.1984; Bull. EC 6-1984, 2.1.91.

⁹ OJ L 54, 5.3.1979.

¹⁰ OJ L 320, 29.11.1985; Bull. EC 11-1985, point 2.1.133.

¹¹ Bull. EC 9-1983, point 2.1.88.

heading ex 01.02 A II of the Common Customs Tariff (→ point 2.1.49).

Accordingly, the Commission adopted a Regulation on 7 May setting buying-in prices payable from 12 May, to apply to forequarters only.¹

2.1.132. On 26 May the Council opened a special import quota for 6 000 tonnes of high-quality fresh, chilled or frozen beef/veal (→ point 2.1.50).

2.1.133. The application of the Community scale for determining buying-in prices has now entered its final transitional phase, with the result that buying in will henceforth be activated or suspended on a Community-wide basis instead of nationally.

Sheepmeat

2.1.133a. On 15 May the Commission adopted a Regulation on the determination of prices of fresh or chilled lamb carcasses on representative Community markets.²

This Regulation, which replaces the one at present in force (Regulation (EEC) No 2657/80 of 17 October 1980)³ with effect from 2 June, aligns the national methods for recording prices, in particular as regards the coefficient for converting the live weight into deadweight. The prices recorded may in some cases be restricted to carcasses within a certain weight range and a certain degree of fat cover.

In addition, the Regulation further specifies the marketing period for certified animals for the purpose of recording prices in the United Kingdom.

Structures

Extension of less-favoured farming areas in Germany

2.1.134. The Council approved, subject to Parliament's opinion, the extension (by 2.2 million hectares) of Germany's less-favour-

ed farming areas within the meaning of Directive 75/268/EEC of 28 April 1975.⁴ The list of the areas concerned was amended in line with the proposal put forward by the Commission⁵ and will now account for 51% of the country's total agricultural area. Member States are authorized to grant direct income subsidies (compensatory allowances) to farmers in these areas, 25% of the relevant amounts being chargeable to the EAGGF Guidance Section. Germany felt that the authorization to grant such subsidies was an essential corollary of the political agreement on the 1986/87 prices.⁶

Delimitation of less-favoured areas in Portugal and Spain

2.1.135. The Council approved, subject to Parliament's opinion, the lists of less-favoured areas in Portugal and Spain which had been put forward by the Commission.⁷ The said areas account for 75% of the total utilized agricultural area in the case of Portugal and 62.4% (17 million hectares — of which 80% are to be regarded as 'particularly disadvantaged areas', thus qualifying for a reimbursement from the EAGGF Guidance Section of 50% of the compensatory allowance) in the case of Spain. In respect of certain other measures under Regulation (EEC) No 797/85 of 12 March 1985,⁸ the criterion chosen by the Commission for singling out particularly disadvantaged areas (30% of the working population to be engaged in agriculture) was endorsed.

2.1.136. On 6 May the Council adopted three Regulations introducing specific measures to encourage agriculture as a whole in parts of the Community suffering

¹ OJ L 120, 8.5.1986.

² OJ L 130, 16.5.1986.

³ OJ L 276, 20.10.1980.

⁴ OJ L 128, 19.5.1975; OJ L 172, 3.7.1975.

⁵ COM(86)282 final.

⁶ Bull. EC 4-1986, point 1.4.1 *et seq.* and 2.1.106 *et seq.*

⁷ Portugal, COM(86) 280 final; Spain, COM(86) 284.

⁸ OJ L 93, 30.3.1985; Bull. EC 3-1985, point 2.1.111 *et seq.*

from structural or infrastructural handicaps.¹ These measures come under the terms of the Regulation of 12 March 1985 (No 797/85) on improving the efficiency of agricultural structures.²

(i) The aim of the first measure is to improve the rearing of beef cattle in certain less-favoured areas of France. It applies to areas in the Massif Central and comprises joint land-development measures (such as drainage and consolidation), the use of shared equipment for cattle rearing, genetic selection of beef bulls, improvement of woodland belonging to agricultural holdings, improvement of rural infrastructure and measures to promote these objectives.

(ii) The second measure is designed to encourage agriculture in mountain areas in the north of Italy excluded from the Regulation of 23 July 1985 concerning the integrated Mediterranean programmes.³ The schemes envisaged relate to improving the rural infrastructure, forestry improvements, land consolidation, the prevention of soil erosion and the encouragement of rural tourism.

(iii) The third is a measure to encourage agriculture in the Scottish islands other than the Outer Hebrides and concentrates on eliminating or reducing handicaps due to the small size of holdings, soil and climatic conditions, land tenure systems and arduous living conditions.

Legislation

Plant health

2.1.137. The Council approved the proposal for a Directive⁴ amending the Directive of 21 December 1978 (79/117/EEC)⁵ prohibiting the marketing of ethylene oxide. Since the prohibition is subject to certain national exemptions, the substances may in some cases continue to be used until 31 December 1989.

2.1.138. On the basis of a package proposal put forward by the President, the Council also reached agreement on two pro-

posals for Directives setting maximum levels for pesticide residues in and on cereals intended for human consumption and foodstuffs of animal origin.⁶ The two Directives, which lay down a series of maximum levels for pesticide residues to be complied with Community-wide, represent a major extension of the arrangements introduced in this area under the Directive concerning maximum pesticide residue levels for fruit and vegetables, which has been in force since 1976.⁷ A large number of food products will henceforth come under these Community plant-health standards, and this marks a major step forward at Community level as regards protection of human health and freedom of trade in the products concerned.

2.1.139. On 7 May the Commission presented to the Council a proposal for a Directive⁸ which provides for the inclusion of three substances in the list set out in the Annex to the 1978 Directive (79/117/EEC) prohibiting the placing on the market and use of plant-protection products containing certain active substances.⁵ The products concerned are nitrofen, 1,2-dibromoethane and 1,2-dichloroethane.

Competition

2.1.140. Under the terms of Articles 92 to 94 of the EEC Treaty the Commission decided to make no comment on the introduction of the following proposed schemes, which had been duly notified.

Germany

Palatinate: Production and consumption subsidy for legumes.

¹ OJ L 128, 14.5.1986; OJ C 358, 31.12.1985; Bull. EC 1-1986, point 2.1.104.

² OJ L 93, 30.3.1985; Bull. EC 3-1985, point 2.1.111 *et seq.*

³ OJ L 197, 27.7.1985; Bull. EC 7/8-1985, point 2.1.106.

⁴ Bull. EC 11-1982, point 2.1.105.

⁵ OJ L 33, 8.2.1979.

⁶ OJ C 56, 6.3.1980; Bull. EC 1-1980, point 2.1.48.

⁷ OJ L 340, 9.12.1976.

⁸ COM(86)237 final.

Hessen: Financial aid for marginal holdings.

Denmark

The budget for the fund for cattle, milk and sheep.

Italy

Sicily: Bill on measures concerning loans to farms (Act No 1000 of 27 June 1985).

Application of Sugarbeet Act (No 700 of 19 December 1983) in respect of facilities belonging to a holding in northern Italy.

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

France

Investment aid (Industrial Modernization Fund loan) for the modernization of a wheat-starch production plan;

Italy

Aid scheme for sugar merchants in respect of their stocks at end October 1984 (operating aid which is incompatible with the common market).

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

Germany

Hessen: Aid scheme designed to encourage the use of pastures and safeguard employment in small and medium agricultural holdings,¹ since the conditions for granting the aid are in keeping with the requirements laid down in the case of environmental protection schemes.

Italy

Sicily: Aid for agricultural holdings damaged by the severe weather in 1984 and 1985, and for cereal and poultry producers.²

The Italian authorities have confirmed that the aid is based on the damage suffered by the recipients' holdings as a result of the bad weather.

Aid scheme for sugar producers in Italy, the aid concerned being linked to investment.

European Agricultural Guidance and Guarantee Fund

Guarantee Section

2.1.143. Pursuant to the Council Regulation of 6 May 1986³ amending the Regulation of 2 August 1978 (No 1883/78) laying down general rules for the financing of interventions by the EAGGF Guarantee Section,⁴ the Commission adopted a Regulation⁵ on the application of certain general rules for the financing of interventions by the EAGGF Guarantee Section, amending its Regulation of 7 March 1977 (No 467/77).⁶

The new Regulation reduces the standard rate of interest from 8 to 7% and the standard amounts used to calculate the cost of storage in intervention by 25%. This is intended to ensure continuity in the implementation of the budget and will save 300 million ECU in each of the budget years for which it is to operate (1986, 1987 and 1988).

2.1.144. The Commission adopted a Regulation⁷ fixing the prices to be used for calculating the value of agricultural products in intervention storage in Spain and Portugal at 1 March 1986 in the accounts referred to in Article 4 of the Regulation of 2 August 1978 (No 1883/78).⁴ The purpose of the Regulation is to determine the prices to be used for calculating the value of prod-

¹ Bull. EC 6-1985, point 2.1.136.

² Bull. EC 9-1985, point 2.1.99.

³ OJ L 119, 8.5.1986; Bull. EC 4-1986, point 2.1.105.

⁴ OJ L 216, 5.8.1978.

⁵ OJ L 150, 4.6.1986.

⁶ OJ L 62, 8.3.1977.

⁷ OJ L 140, 27.5.1986.

ucts in intervention storage which are part of 'normal stocks' within the meaning of the Act of Accession; the financing of the said stocks is therefore chargeable to the EAGGF Guarantee Section.

2.1.145. On 21 May, pursuant to the Council Regulation of 25 March 1986 (No 964/86) on the early down-valuing of stocks,¹ the Commission adopted a Regulation fixing the amount of and detailed rules for the reduction in value of certain intervention stocks of butter and beef.

The measure in question is also expected to facilitate the disposal of public stocks of certain agricultural products.

*

2.1.146. On 22 May the Economic and Social Committee delivered an opinion on the effects of the common agricultural policy on the social situation of employed farm workers in the Community (→ point 2.4.21).

Fisheries

Resources

Internal aspects

2.1.147. On 23 May the Commission transmitted to the Council a proposal² for the amendment of the Regulation of 2 August 1985 laying down certain technical measures for the conservation of fish stocks in the Antarctic.³ This proposal is aimed at Community implementation of the recommendation by the Commission for the Conservation of Antarctic Marine Living Resources on reducing catches of *Notothenia rossii* in the waters around South Georgia. This recommendation is binding upon all contracting parties to the Antarctic Convention and thus on the Community.

Community measures

Control measures

Accession-related measures

2.1.148. On 6 May the Council adopted, in compliance with certain provisions of the Act of Accession, two Regulations determining (i) the number of vessels flying the Spanish flag authorized to fish for albacore tuna in waters under the sovereignty or jurisdiction of Portugal and (ii) the number of vessels flying the Portuguese flag authorized to fish for albacore tuna in waters under the sovereignty or jurisdiction of Spain.⁴

The Commission then adopted — on 15 May — certain additional control measures relating to the fishing activities of Spanish and Portuguese vessels fishing for albacore tuna in Portuguese and Spanish waters respectively.⁵

Prohibition measures

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

(i) Danish vessels from fishing for salmon in ICES division III d (Swedish waters) with effect from 26 April;⁶

(ii) Dutch vessels from fishing for cod in ICES subareas VII (excluding division VII a), VIII, IX, X; CECAF 34.1.1 (EC zone), for whiting in ICES subarea VII (excluding division VII a) and for sole in ICES divisions III a; III b, c, d (EC zone) and subarea VIII with effect from 27 May;⁷

(iii) French vessels from fishing for redfish in Faeroese waters with effect from 27 May.⁷

¹ OJ L 89, 4.4.1986; Bul. EC 3-1986, point 2.1.115.

² COM(86)259 final.

³ OJ L 210, 7.8.1985; Bull. EC 7/8-1985, point 2.1.176.

⁴ OJ L 129, 15.5.1986.

⁵ OJ L 130, 16.5.1986.

⁶ OJ L 109, 26.4.1986.

⁷ OJ L 140, 27.5.1986.

External aspects

Bilateral relations

Senegal

2.1.150. Since the negotiations with a view to the renewal of the Protocol¹ to the Fisheries Agreement² for the period after 30 April 1986³ had not been completed by that date, an Agreement in the form of an exchange of letters concerning the extension of the current arrangements for a period of one month was initialled between the Community and the Government of Senegal on 30 April in order to prevent any interruption of fishing activities by Community vessels between 1 and 31 May, pending the outcome of the negotiations being held to determine what arrangements should apply thereafter.

Guinea-Bissau

2.1.151. On 6 May the Council decided,⁴ acting on a proposal from the Commission,⁵ to conclude an Agreement in the form of an exchange of letters extending the Protocol to the Agreement between the Community and the Government of the Republic of Guinea-Bissau on fishing off the coast of Guinea-Bissau⁶ for three months from 15 March 1986.

2.1.152. In addition, an Agreement amending for the second time the Agreement between the Community and Guinea-Bissau on fishing off the coast of Guinea-Bissau⁶ by vessels from the enlarged Community for three years from 16 June 1986 and the interim implementation of this Agreement from that date was initialled in Bissau on 22 May.

Madagascar

2.1.153. The Fisheries Agreement between the Community and Madagascar, which was signed in Antananarivo on 28 January,⁷ entered into force on 21 May.⁸

Argentina

2.1.154. An Argentine delegation headed by Mr Luís Enrique Jaimes, Under-Secretary for Fisheries, was received at the Commission for exploratory talks on the scope for cooperation on fisheries. The outcome of this initial contact was a decision to keep the dialogue on these matters open.

Markets and structures

Market organization

2.1.155. On 5 May, significant quantities of frozen squid of the genus *Loligo* (other than *Loligo vulgaris* and *Loligo pealei*) having been imported at prices below the reference price, which threatened to cause serious disturbance on the Community market, the Commission adopted a Regulation making imports of such products originating in Poland or the USSR subject to observance of the reference price.⁹ The Regulation is applicable from 5 May to 31 August 1986.

Structures

2.1.156. On 26 May the Commission approved a supplement to the multiannual guidance programme in respect of aquaculture for the period 1984-88 submitted by France¹⁰ pursuant to Council Regulation (EEC) No 2908/83 of 4 October 1983 on a common measure for restructuring, modernizing and developing the fishing industry and for developing aquaculture.¹¹ This concerns the renewal of the mussel fleet in the Poitou-Charentes region.

¹ OJ L 75, 20.3.1986; Bull. EC 2-1986, point 2.1.138.

² OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.197.

³ Bull. EC 4-1986, point 2.1.144.

⁴ OJ L 131, 17.5.1986.

⁵ Bull. EC 4-1986, point 2.1.143.

⁶ OJ L 84, 30.3.1983; Bull. EC 3-1983, point 2.1.132.

⁷ Bull. EC 1-1986, point 2.1.122.

⁸ OJ L 137, 24.5.1986.

⁹ OJ L 117, 6.5.1986.

¹⁰ OJ L 157, 15.6.1985; Bull. EC 4-1985, point 2.1.95.

¹¹ OJ L 290, 22.10.1983; OJ L 361, 31.12.1985.

2.1.157. The Commission decided to terminate the Article 93(2) procedure in respect of three measures forming part of a programme of State aid for fisheries in Greece for 1985,¹ concerning:

(i) the scrapping of old fishing vessels which do not qualify for aid for the permanent laying-up of fishing vessels under Directive 83/515/EEC;²

(ii) the purchase of spat and fish food during the first year, on construction of a new aquaculture production unit;

(iii) a 25% increase in the level of investment aids for certain recipients and in certain regions, subject to the requirement that the recipient must meet at least 25% of the cost of the project.

2.1.158. On 16 May Parliament adopted a resolution on structural policy in the fisheries sector and future prospects (→ point 2.4.11).³

Transport

Inland transport

Railways

ECSC goods

2.1.159. On 29 May the Commission reported to the Council on the outcome of its negotiations with the Yugoslav authorities on the conclusion of an agreement on the establishment of through international railway tariffs for the carriage of coal and steel in transit through the territory of Yugoslavia.⁴

Road transport

Social conditions

2.1.160. On 30 May the Commission adopted an opinion to be sent to the French

Government finding in favour of a draft order on the application of certain provisions of Council Regulation No 543/69 of 25 March 1969 on the harmonization of certain social legislation relating to transport.⁵

Multimodal transport

2.1.161. In response to the opinions of Parliament⁶ and the Economic and Social Committee,⁷ on 23 May the Commission amended⁸ its proposal for a Directive amending the Council Directive of 17 February 1975⁹ on the establishment of common rules for certain types of combined transport of goods between Member States.¹⁰

The amendments propose lifting the bans on haulage services on certain days.

Sea transport

Ports

Harmonization of conditions of competition

2.1.162. On 13 May the Commission decided to amend¹¹ its proposals of 7 December 1984 for two Directives and one Regulation on the carriage of goods to or from a Community seaport.¹²

¹ Bull. EC 10-1985, point 2.1.130.

² OJ L 290, 22.10.1983; Bull. EC 10-1983, point 2.1.162; Bull. EC 12-1985, point 2.1.205.

³ OJ C 148, 16.6.1986.

⁴ COM(86) 295 final.

⁵ OJ C 73, 17.3.1979 (consolidated version).

⁶ OJ C 68, 24.3.1986; Bull. EC 2-1986, point 2.1.150.

⁷ Bull. EC 10-1985, point 2.5.55.

⁸ OJ C 144, 11.6.1986; COM(86) 262 final.

⁹ OJ L 48, 22.2.1975.

¹⁰ OJ C 139, 7.6.1985; Bull. EC 5-1985, point 2.1.105.

¹¹ COM(86) 288 final.

¹² OJ C 14, 16.1.1985; Bull. EC 12-1984, point 2.1.203.

These latest proposals were made in response to Parliament's¹ and the Economic and Social Committee's² requests for amendments to limit the scope of the proposals solely to goods imported from, or exported to, a non-member country by sea. They also define 'seaport' for the purpose of these measures.

2.1.163. The Port Working Group set up in 1974 met, with a Commission representative in the chair, in Marseilles on 15 May. It noted the progress made on port statistics, on implementation of the Commission Directive of 25 June 1980 on the transparency of financial relations between Member States and public undertakings,³ as amended by the Directive of 24 July 1985,⁴ and on implementation of the 1973 Marpol International Convention for the Prevention of Pollution from Ships. The Group decided to hold more regular meetings with the Commission on a more official footing.

*

2.1.164. At its May session the Economic and Social Committee delivered a further opinion (→ point 2.4.30) on the Commission's communication (and related proposals) entitled 'Towards a common transport policy — maritime transport', which had been transmitted to the Council in April 1985.⁵

Air transport

Accession-related measures

2.1.165. On 27 May the Council adopted a Directive⁶ amending, on account of the accession of Portugal, the Directive of 25 July 1983 concerning the authorization of scheduled inter-regional air services for the transport of passengers, mail and cargo between Member States.⁷

Energy

Specific problems

Solid fuels

Community rules for State aids to the coal industry

2.1.166. The Commission adopted on 27 May, before sending it to the Council for consultation at the beginning of June, a draft Decision on the application of new Community rules for State aids to the coal industry,⁸ to which the Council has not yet given its assent.⁹ This provides that the Member States must notify the Commission of any details regarding financial aid to the coal industry scheduled for the following year. It is to be adopted at the same time as the new rules for State aids.

Oil and gas

Refining and imports of oil products

2.1.167. On 16 May the Commission sent the Council, for its June meeting on energy, a working paper on 'The Community oil market, its oil-refining industry and external trade in petroleum products'.¹⁰

This report is set against a completely different background from the one in March

¹ OJ C 68, 24.3.1986; Bull. EC 2-1986, point 2.1.149.

² Bull. EC 10-1985, point 2.5.54.

³ OJ L 195, 29.7.1980; Bull. EC 6-1980, point 2.1.34.

⁴ OJ L 229, 28.8.1985; Bull. EC 7/8-1985, point 2.1.71.

⁵ Supplement 5/1985 — Bull. EC; OJ C 212, 23.8.1985; Bull. EC 4-1985, point 1.2.1. *et seq.*

⁶ OJ L 152, 6.6.1986.

⁷ OJ L 237, 26.8.1983.

⁸ Bull. EC 9-1985, point 1.4.1 *et seq.*; Bull. EC 11-1985, point 2.1.173.

⁹ Bull. EC 3-1986, point 2.1.152.

¹⁰ COM(86) 263 final.

1985.¹ The sudden major drop in the price of crude oil in the first quarter of 1986 has made for a climate of uncertainty with regard to the future level of demand. Depending on whether the price of crude settles at USD 15, 20 or 25 a barrel, consumption should rise above, hold steady at or fall below 1985 levels, and surplus refining capacity in the Community will be, respectively, 40, 65 or 95 million tonnes per year towards 1990. In these circumstances, the European industry has made plans to reduce capacities by some 40 million tonnes a year by 1990.

Over the past two years efforts to rationalize and restructure the refining industry have continued in the Community. By the end of 1985 the installed primary distillation capacity in the twelve-member Community amounted to 615 million tonnes per year (mt/year), which represents a surplus of 50 mt/year or 9% over the level required to obtain a rate of utilization of 80%, which is considered to be the minimum in terms of technical and economic efficiency. The surplus at the end of 1984, calculated on the same basis, was 75 mt/year or 13% with a nominal capacity of 655 mt/year. The surplus is still well above the Community average in some Member States, especially in Italy. The rate of utilization of the primary distillation capacity varied in 1985 around an average of 70%, with more than 80% in Denmark, Germany and the United Kingdom and less than 60% in Italy and Portugal. The rate of utilization for conversion plants — usually higher — averages 82%. Planned shutdowns, mainly in France and Italy, while conforming to the rules governing security of supply and profitability, should reduce the primary distillation capacity of the Twelve from 615 to 575 mt/year.

Energy saving

2.1.168. On 22 May the Commission sent the Council, for its next meeting on energy,

a communication — accompanied by a draft resolution — on a European policy on improving energy efficiency in industrial firms in the Member States,² in which it points out that the industrial sector accounts for 32% (with 211 million tonnes of oil equivalent) of total energy consumption, or as much as 42% if the 70 million toe for non-energy uses (mainly raw materials in the chemical industry) are included. It also states that in this sector there has been a greater reduction in consumption per unit of output (24% between 1975 and 1983) and identifies two main causes for this phenomenon: first, structural changes in the industry and the effects of the economic crisis; and second, energy saving. After estimating the potential energy saving with proven technologies showing a good return at 25% of the specific consumption of 1985 by the turn of the century (approximately 60 million toe/year), the Commission defines several guidelines for action based in previous programmes already implemented: closer attention to consumption (with limited heat loss and heat recovery) renewal of production apparatus (with the introduction of microelectronic control systems and new manufacturing processes), the expansion of R&D and demonstration programmes at both national and Community level, information and training for industrial engineers and managers, continuation and stimulation by Community and national authorities of investment into the rational use of energy in industry.

Alternative energy sources

2.1.169. The Economic and Social Committee delivered a favourable opinion on 21 May (→ point 2.4.31) on the draft Council resolution on a Community approach to the development of new and renewable energy sources.³

¹ Bull. EC 3-1985, point 2.1.137.

² COM(86) 264 final.

³ OJ C 94, 22.4.1986; Bull. EC 1-1986, point 2.1.130.

2. External relations

New round of multilateral trade negotiations

2.2.1. On 28 May the Commission adopted for transmittal to the Council a communication on the overall approach to the new round of multilateral trade negotiations in GATT.¹

The Commission feels that while the Council's statement of 19 March last year² must remain the basis of the Community's position in the new round of negotiations, that statement now needs to be clarified and made more specific if the Community wishes to continue to play an active part in the preparations for the GATT ministerial meeting to be held in Punta del Este, Uruguay, in September.³

The Commission is now framing the broad lines of its approach to the negotiations, what it expects from its GATT partners and also the various topics to be discussed. The Commission's proposals will be discussed at the Council meeting of Foreign Ministers in June.

Approach to the negotiations

2.2.2. While reiterating that the aims of the new round are to strengthen and modernize GATT structures and disciplines, make further progress with the dismantling of trade barriers and make a start on the liberalization of services, the Commission notes the desiderata for its success. First, the new round must show GATT to be a vital and still relevant body; in addition, a balance must be restored between the rights and obligations of contracting parties and the new round must be conducted as an overall operation involving a single package; lastly, the coming negotiations must not be overshadowed by new protectionist measures.

Contribution to be made by the Community's GATT partners

2.2.3. In so far as the developing countries are concerned, the Commission confirms its

commitment to the principle of differentiated and more favourable treatment. But the most developed among these countries should make concessions corresponding to their degree of development and their level of competitiveness.

2.2.4. Generally, the Commission considers that there is a need to restore the balance between rights and obligations. A particular effort is hoped for from Japan: if the Community is to make new trade concessions to Japan, Japan will have to increase radically its propensity to import. There should also be a general review of the derogations enjoyed hitherto by certain countries.

2.2.5. It is essential that the State-trading countries make a tangible contribution to the negotiations; so far their contribution has been mainly a formal one.

Main topics to be discussed

Established topics

2.2.6. Many of the topics included in GATT's present work programme should feature in the coming negotiations, notably the safeguard clause, tariffs and non-tariff measures. Negotiations on agriculture must not be hived off from the main negotiations and must cover all aspects of problems affecting the sector.

New topics

2.2.7. The Commission is in favour of a multilateral agreement aimed at the gradual liberalization of markets for services, especially through the removal of existing protectionist barriers. Such an agreement should take account of the special nature of the services sector compared with the trade in goods sector, and also of the differences between types of services.

¹ SEC(86) 840.

² Bull. EC 3-1985, point 2.2.12.

³ Bull. EC 4-986, point 2.2.1.

Other topics have also been suggested for inclusion on the agenda of the new round. They include intellectual property, trade-linked investment, restrictive commercial practices, countertrade and so on. The Community reserves its position on these topics pending clarification from the Preparatory Committee.

*

2.2.8. At its May session the Economic and Social Committee adopted an own-initiative opinion on the forthcoming round of GATT negotiations (→ point 2.4.20).

Commercial policy

Implementing the common commercial policy

Commercial policy instruments

Easing of restrictive measures

2.2.9. Under the Regulation of 14 November 1983 on import arrangements for

products originating in State-trading countries, not liberalized at Community level,¹ the Commission decided to open quotas for the following:

Italy—Hungary: aluminous cement;²

Italy—Romania: regenerated textile fibres of viscose (discontinuous), not carded, combed or otherwise prepared for spinning;²

France—German Democratic Republic: household articles of porcelain;³

Italy—Poland: synthetic organic dyestuff;³

Italy—Hungary: unwrought aluminium ingots of an aluminium content of more than 99.5%;⁴

Italy—Soviet Union: unwrought aluminium waste, alloyed, recast into ingots.⁴

Trade protection

2.2.10. The trade protection measures taken in May are shown in Table 6.

¹ OJ L 346, 8.12.1983.

² OJ C 105, 3.5.1986.

³ OJ C 128, 27.5.1986.

⁴ OJ C 132, 30.5.1986.

Table 6 — *Trade protection measures*

Council	Commission
	<p>Anti-dumping proceedings</p> <p><i>Initiation of anti-dumping proceeding concerning imports of:</i></p> <ul style="list-style-type: none"> • synthetic textile fibres of polyesters originating in the German Democratic Republic, Romania, Turkey or Yugoslavia OJ C 125, 24.5.1986 <p><i>Initiation of review of anti-dumping measures concerning imports of:</i></p> <ul style="list-style-type: none"> • kraftliner paper and board originating in Austria, Canada, Finland, Sweden, the Soviet Union or the United States OJ C 109, 7.5.1986 (acceptance of undertakings: OJ L 64, 10.3.1983; OJ L 224, 21.8.1984)

Council	Commission
	<p><i>Termination of anti-dumping proceeding concerning imports of:</i></p> <ul style="list-style-type: none"> • electronic typewriters originating in Taiwan OJ L 140, 27.5.1986 (initiation of proceeding: OJ C 338, 31.12.1985) <p>Investigation proceedings</p> <p><i>Termination of the investigation proceeding concerning the trend of imports:</i></p> <ul style="list-style-type: none"> • into Greece of certain categories of glass originating in Turkey, Spain or Yugoslavia OJ C 128, 27.5.1986 (initiation of proceeding: OJ C 66, 14.3.1985) <p>Surveillance measures</p> <p><i>Decision authorizing Spain to introduce intra-Community surveillance of imports of:</i></p> <ul style="list-style-type: none"> • products originating in certain third countries which have been put into free circulation in one of the Member States and which may be the subject of protective measures under Article 115 of the EEC Treaty OJ L 165, 21.5.1986

2.2.11. On 30 May the Commission adopted¹ for transmittal to the Council and to Parliament its third annual report on the Community's anti-dumping and anti-subsidy activities.² The report deals mainly with activities carried out by the Community in 1984 on the basis of the relevant Community provisions³ and GATT codes,⁴ but also contains—for purposes of comparison—details of the number of investigations and reviews initiated and terminated in 1982 and 1983. European industry is making increasing use of these provisions and codes to defend itself against unfair trading practices.

Export credits

2.2.12. The negotiations concerning revision of the commercial interest reference rates system⁵ in the framework of the OECD Arrangement on Guidelines for Officially Supported Export Credits⁶ resulted in agreement *ad referendum* on interim changes valid until 15 October in the rates for the major currencies. In par-

ticular, the margin to be added to the base rate for the ECU (the yield on medium-term bonds on the Luxembourg stock exchange)⁷ was lowered from 80 to 50 basis points.

Sectoral commercial policy measures⁸

Textile products

Agreements and arrangements with non-member countries

2.2.13. On 2 May the Commission adopted a Regulation⁹ concerning Annexes

¹ COM(86) 308.

² Bull. EC 9-1983, point 2.2.2; Bull. EC 1-1985, point 2.2.7.

³ OJ L 399, 31.12.1979; OJ L 201, 30.7.1984.

⁴ OJ L 71, 17.3.1980.

⁵ Bull. EC 12-1985, point 2.3.8; Bull. EC 1-1986, point 2.2.6.

⁶ Bull. EC 10-1983, point 2.2.10.

⁷ Bull. EC 7/8-1985, point 2.3.4.

⁸ For steel products, see point 2.1.31.

⁹ OJ L 147, 31.5.1986.

III and XIII to the Regulation of 23 December 1982 on common rules for imports of certain textile products originating in non-member countries.¹ This sets out the allocation for 1986 of quantitative limits by products and non-member country and of the Community quantitative limits specific to outward processing traffic by Member State.

MFA countries

2.2.14. In accordance with the directives given to the Commission by the Council on 11 March concerning renewal of the bilateral textile agreements,² the Community and Colombia opened negotiations on 12 May on future textile trade arrangements. The Community proposed to the Colombian delegation a simplified agreement in the form of an exchange of letters. The two sides agreed to resume talks early in June.

2.2.15. On 31 May the Community and Sri Lanka agreed to renew the present bilateral textile trade agreement, which expires at the end of the year, after two days of talks leading to the initialling of a new agreement to run for four years, with the possibility of a further extension of one year. The new agreement reflects the relevant provisions of the Community's negotiating directives and takes fully into account the status of Sri Lanka as a new entrant and small supplier.

Mediterranean preferential countries

2.2.16. As a result of the progress made in the consultations held in April between the Commission and a delegation representing associations of Turkish exporters of clothing products,³ an administrative cooperation arrangement was signed by the two parties on 28 May. At the same time, the safeguard measures imposed by the Commission on 20 September last year⁴ were lifted.

The arrangement, which enters into force on 9 June and will run until the end of 1978, covers the following products: T-shirts, jerseys, trousers, blouses, shirts, socks, under-

pants, bed linen, table linen, training suits and outer garments. It supplements the arrangement covering five other categories of textile products which was signed in December last year⁵ by the Commission and the Turkish textile exporters' associations.

*

2.2.17. At its May session the Economic and Social Committee delivered an own-initiative opinion on the forthcoming round of GATT negotiations which referred also to the renewal of the Multifibre Arrangement (→ point 2.4.20).

Relations with industrialized countries

Tokyo Western Economic Summit

2.2.18. The Tokyo Economic Summit was held on 5 and 6 May (→ points 1.3.1 *et seq.* and 3.4.1 *et seq.*). The Community was represented by Mr Ruud Lubbers, President of the Council, and by Mr Jacques Delors, President of the Commission. The Summit issued an economic declaration, a statement on the implications of the Chernobyl nuclear accident, a statement on international terrorism and a declaration entitled 'Looking forward to a better future'.

2.2.19. Parliament adopted five resolutions on 14 May on the outcome of the Summit, dealing *inter alia* with international monetary cooperation, the developing countries' debt and the fight against terrorism (→ point 2.4.11).⁶

¹ OJ L 374, 31.12.1982; Bull. EC 12-1982, point 2.2.24.

² Bull. EC 3-1986, point 2.2.1.

³ Bull. EC 4-1986, point 2.2.6.

⁴ OJ L 252, 21.9.1985; Bull. EC 9-1985, point 2.3.5.

⁵ Bull. EC 12-1985, point 2.3.11.

⁶ OJ C 148, 16.6.1986.

United States¹

Negotiations on the consequences of enlargement

2.2.20. President Reagan signed a proclamation on 15 May providing for retaliatory measures against the alleged effects of the application of the Treaty of Accession on US exports of certain agricultural products.

From 19 May the US authorities would be imposing quantitative ceilings on imports into the United States of certain Community products in response to the provisions applied in Portugal in respect of cereals and oilseeds as a result of enlargement (15% share reserved for Community exporters in the case of cereals, monitoring of imports of oilseeds). The products affected by the initial US action against the provisions applied in Portugal are chocolate, confectionery, pear and apple juice, beer and white wine of a value exceeding USD 4 per gallon. The quotas were set at 120% of the quantities exported in 1985, except in the case of white wine, for which the quota is 140%.

The United States also announced that it was unbinding customs duties on other products in response to the application in Spain of Community variable levies on imports of feed grain.

The US authorities stated that they would withdraw their concessions under the GATT only if compensation was not obtained from the Community by 1 July. Until then, there should be no change in the protective measures governing imports into the United States of the products in question (ham, certain cheeses, carrots, olives, endive, white wines other than those covered by the first measure, brandy, liqueurs, gin and hops).

2.2.21. Mr De Clercq, the Member of the Commission with special responsibility for external relations and trade policy, said that the decision taken by the President of the United States was getting the Community 'into a pointless escalation of trade measures which the Community has not provoked'. He pointed out that the unilateral

measures taken by the United States clearly ran counter to GATT rules and that the Community had no choice but to respond with like measures.

2.2.22. In accordance with the conclusions reached by the Council on 21 April and on the basis of the indicative list of products with which it had supplied the Council on that date,² the Commission sent a proposal to the Council on 26 May to the effect that measures equivalent in effect to those decided on by the United States should be adopted.³

These comprise *ex post* surveillance of imports of meat and edible offal, honey, foliage for bouquets, dried fruit, sunflower seed, unrendered fats of bovine cattle, fruit juice, maize, beer and wine. At the same time, the Commission proposed further measures to be applied if the US measures should have an adverse effect on Community exports.

Canada

2.2.23. The sixth meeting of the Joint Cooperation Committee was held in Vancouver, British Columbia, on 10 May under the co-chairmanship of Mr De Clercq and Canada's Secretary of State for External Affairs, Mr Joe Clark.⁴ The meeting was preceded by consultations between senior officials in Ottawa on 7 May, at which a number of bilateral trade issues were discussed. These included fisheries, agricultural policy, the Canadian countervailing duty action against beef from the Community, US-Canada trade negotiations, Canadian provincial liquor board practices, the Community's policy regarding seals and Canada's draft legislation on pharmaceutical products.

The meeting of the Joint Cooperation Committee, which was attended by representa-

¹ For relations with the United States on steel, see point 2.1.30.

² Bull. EC 4-1986, points 2.2.9 and 2.2.10.

³ COM(86) 313 final.

⁴ Fifth meeting: Bull. EC 1-1983, point 2.2.16.

tives from the Member States and Parliament, examined the current state of relations between the Community and Canada. It discussed in particular the present problems regarding fisheries and exports of beef as well as the more general problem of subsidization in agriculture, the latter against the background of the Tokyo Summit (→ point 1.3.1 *et seq.* and 3.4.1 *et seq.*). The meeting also addressed the matter of the free trade arrangement which Canada would like to conclude with the United States, its growing interest in the Pacific rim countries and the new round of GATT negotiations.

Lastly, the two sides agreed to make an assessment by the end of 1986 of the ten years of cooperation under the 1976 Framework Agreement for commercial and economic cooperation.¹

2.2.24. On 9 May Mr De Clercq had represented the Community at the Schuman Day celebration at EXPO 86 in Vancouver, where, besides the Community, six Member States were represented separately.

Japan

2.2.25. At the Western Economic Summit in Tokyo (→ points 1.3.1 *et seq.* and 3.4.1 *et seq.*), Mr Delors held talks with Mr Yasuhiro Nakasone, Prime Minister of Japan, on the international economic situation. During these talks it was confirmed that a 'monitoring committee', made up of personal representatives of Mr Delors and Mr Nakasone, was to be set up for the purpose of assessing the state of relations between the Community and Japan and making recommendations for improving them. This 'monitoring committee' had been proposed by Mr Delors during the official visit which he paid to Japan in January.²

Mr De Clercq met Japan's Foreign Minister, Mr Shintaro Abe, the Minister of International Trade and Industry, Mr Michio Watanabe, the Minister of Finance, Mr Noboru Takeshita, the Minister for Economic Planning, Mr Wataru Hiraizumi, the Governor of the Bank of Japan, Mr Satoshi

Sumita, and the Chairman and members of the Keidanren (Japan's business federation). The full range of bilateral issues was raised during these talks.

New Zealand

2.2.26. The Prime Minister of New Zealand, Mr David Lange, visited the Commission on 30 May. He had talks with Mr Delors, President of the Commission, Mr Frans Andriessen, the Vice-President with special responsibility for agriculture, Lord Cockfield, the Vice-President with special responsibility for internal market and customs union matters, Mr Stanley Clinton Davis, the Member with special responsibility for the environment, and Mr António Cardoso e Cunha, the Member with special responsibility for fisheries.

The state of bilateral relations, agricultural problems (especially those concerning milk products) and the respective international roles of New Zealand and the Community in the Pacific region and the forthcoming GATT negotiations were discussed.

European Free Trade Association

2.2.27. On 21 May senior officials of the Commission and the EFTA countries met to take stock of progress made and to give further impetus to the work being done at expert level on the implementation of the Joint Declaration issued by the ministerial meeting between the Community and the EFTA countries in Luxembourg in April 1984.³

The officials agreed on a number of precise measures and guidelines concerning trade barriers (single administrative document, rules of origin, technical barriers to trade, standardization and transmission of customs documentation).

They welcomed the increasing cooperation in the field of research and development, as

¹ Tenth General Report, point 451.

² Bull. EC 1-1986, point 2.2.10.

³ Bull. EC 4-1984, point 1.2.1 *et seq.*

a result of the negotiation of agreements with all the EFTA countries except Iceland. Further instructions were given to the experts concerning public procurement, quantitative restrictions on exports and anti-dumping.

An extensive exchange of views took place concerning the White Paper on completing the internal market.¹ The EFTA countries and the Commission agreed to identify separately those areas of the White Paper which they considered should form the subject of further joint action.

Lastly, the officials prepared the forthcoming ministerial meeting between ministers of the Member States of the Community and the EFTA countries.

Relations with other countries and regions

Mediterranean countries²

Consultations between the World Bank, the European Investment Bank and the Commission

2.2.28. Preliminary high-level consultations on the Mediterranean region were held on 22 and 23 May between the Commission, the European Investment Bank and the World Bank.

Mr Claude Cheysson, Member of the Commission with special responsibility for Mediterranean policy, chaired the opening session. The World Bank delegation was led by Mr Ernest Stern, Senior Vice-President, Operations, and included Mr Willi Wapenhans, Regional Vice-President, Europa, Middle East and North Africa. The EIB delegation was led by Mr Alain Prate, Vice-President of the Bank, and included Mr Dieter Hartwich, Secretary-General.

The consultations permitted an exchange of views on the economic situation, the prospects for the future and the cooperation

policies of the World Bank and the Community in the Mediterranean.

Malta

2.2.29. The fourth ministerial-level meeting of the EEC-Malta Association Council was held in Brussels on 13 May under the chairmanship of Mr van Eekelen, State Secretary in the Netherlands Foreign Ministry.³ The Maltese delegation was led by the Prime Minister, Dr Karmenu Mifsud Bonnici, and the Commission was represented by Mr Cheysson. The session had been prepared by a meeting of the EEC-Malta Association Committee in Valletta on 2 May.

The main item on the agenda was an examination of relations between the Community and Malta. Dr Bonnici took the opportunity to raise various financial matters as well as trade and cooperation issues, but also stressed the political nature of EEC-Malta relations.

On the question of financial assistance, he expressed the hope that the projects presented by the Maltese Government under the second financial protocol⁴ would be speedily executed. With regard to trade he repeated a number of requests, in particular for further concessions on agriculture, that had previously been raised on 7 March in the first round of negotiations for a supplementary protocol. The supplementary protocol would serve to renew trade arrangements and take account of the accession of Spain and Portugal.

Turning to cooperation, Dr Bonnici suggested that Title V of the 1976 Protocol,⁵ under which the 1972 Agreement had been adapted to take account of the Community's enlargement, should be reactivated. Accordingly he proposed that a task

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

² For financial and technical cooperation with the Mediterranean countries, see point 2.2.47.

³ Third meeting: Bull. EC 6-1981, point 2.2.51.

⁴ OJ L 351, 28.12.1985; Bull. EC 12-1985, point 2.3.27.

⁵ Tenth General Report, point 508.

force be set up, composed of representatives from the Community and Malta, to study problems arising in this sphere.

In the second part of his address, the Prime Minister focused on the political aspect of EEC-Malta relations. He asked that the Community recognize Malta's special status as a neutral and non-aligned country and engage in a dialogue with Malta on political questions as well as on trade and commercial matters. In this connection he proposed the incorporation in the supplementary protocol now being negotiated of a new title which would enable consultations to take place on political matters within the framework of the Association.

The Chairman, Mr van Eekelen, reviewed the financial and trade links between the Community and Malta. As regards the financial side, he emphasized the importance of the financial protocol for the development of bilateral cooperation. As regards the specific requests for trade concessions put forward by the Maltese Prime Minister, most of these could be considered in the context of the current trade negotiations. However, for matters concerning rules of origin, the Community was prepared to examine detailed requests presented by Malta.

Mr Cheysson expressed the Commission's interest in revitalizing the cooperation aspect of the Agreement. The idea of a task force was useful and worth pursuing, especially if it could be instrumental in promoting investment and industrial diversification in Malta. The financial protocol should enable Malta to benefit from training and technical cooperation projects which could be important factors in attracting new investment from the Community to Malta.

Finally, on Dr Bonnici's proposals regarding political cooperation, Mr van Eekelen stated that discussions with ministers in the Member States would be necessary before a reply could be given.

Yugoslavia

2.2.30. The EEC-Yugoslavia Cooperation Council met on 15 May at the request of

the Yugoslav Government to discuss the Community's suspension of food imports following the accident at Chernobyl (→ point 1.1.1 *et seq.*). The Yugoslav delegation protested at these measures, which it considered unwarranted; the Community side stated that the decision had been necessary in order to protect public health. The Council expressed the hope that the measures could be swiftly re-examined.

2.2.31. Pursuant to Decision 1/85 of the EEC-Yugoslavia Cooperation Council¹ on the implementation of the cooperation provided for under Title I of the Agreement,² a seminar was held in Osijek on 28 and 29 May on the diversification of Yugoslav agricultural exports.

Israel

2.2.32. Mr Karl-Heinz Narjes, Vice-President of the Commission with special responsibility for industrial affairs, research and technology, visited Israel from 4 to 6 May as an official guest of the Israeli Government.

Cooperation between Israel and the Community is based on the 1975 trade and cooperation Agreement³ and the 1978 Additional Protocol.⁴

Industrial and scientific cooperation under the Agreement was the central theme of the constructive talks which Mr Narjes held with various Israeli ministers including Mr Moshe Arens, Mr Gideon Patt, Mr Ariel Sharon and Mr Gad Y'Acobi.

In the trade sphere Mr Narjes sought to explain the difficulties currently facing certain exports as a result of measures introduced as part of Israel's import policy in respect of industrial products. He urged that these matters should be examined under the Cooperation Agreement.

¹ Bull. EC 6-1985, point 2.3.25.

² OJ L 41, 14.2.1983; Seventeenth General Report, points 686 and 687.

³ Ninth General Report, point 461.

⁴ Twelfth General Report, point 509.

Mr Narjes expressed satisfaction at the progress achieved in scientific cooperation in recent years, particularly in fields such as agriculture, medicine, biotechnology and environmental protection.

In this context, an agreement was signed on the implementation of a cooperation programme comprising eight new research projects in the fields of water resource management, laser application in fighting corrosion and neurobiology.

Asia¹

Visit to the Commission by the Executive Secretary of the Economic Commission for Western Asia

2.2.33. The Economic Commission for Western Asia (ECWA), one of the United Nations regional commissions, has had close cooperation links with the Commission since 1981.

The visit to Brussels of the ECWA Executive Secretary, Mr Nabulsi, on 20 May provided an opportunity to review relations and identify areas with potential for closer future collaboration, such as statistics and cooperation on agriculture, food and energy.

Sri Lanka

2.2.34. The eighth session of the EEC-Sri Lanka Joint Commission took place in Brussels on 28 and 29 May.²

Discussions centred on the trend of bilateral trade and economic cooperation as well as on proposals for food aid and financial and technical assistance.

Latin America³

EEC-Latin America Dialogue

2.2.35. On 6 May Mr Cheysson, Member of the Commission with special responsi-

bility for North-South relations, met the Latin American ambassadors under the arrangements for informal meetings between the Commission and Grula (Group of Latin American Ambassadors).

The purpose of the meeting was to discuss various problems connected with economic growth and development and the reduction of the major international imbalances.

The discussions covered a range of topics, notably future prospects for the dialogue between the Commission and the countries of the Cartagena Group, the opportunities for Latin American countries under the new GSP for the coming year, problems associated with implementation of the common agricultural policy and various aspects of the Tokyo Economic Summit (→ points 1.3.1 *et seq.* and 3.4.1 *et seq.*).

2.2.36. On 15 May Parliament delivered an opinion⁴ on a proposal from the Commission to the Council on the conclusion of a Cooperation Agreement between the Community and the countries party to the General Treaty on Central American Economic Integration (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and Panama.

Parliament approved the Agreement, which had been signed in Luxembourg on 12 November 1985, and expressed the hope that it would enter into force and be implemented as swiftly as possible; it was, however, critical of the fact that the Council had not sought to have political cooperation included in the Agreement.⁵ It requested that the Commission keep it regularly informed of the implementation of the Agreement.

¹ For financial and technical cooperation with Asian countries, see point 2.2.48.

² Seventh session: Bull. EC 3-1985, point 2.2.28.

³ For financial and technical cooperation with Latin America, see point 2.2.48; for relations with Argentina on fisheries, see point 2.1.154.

⁴ OJ C 148, 16.6.1986.

⁵ Bull. EC 11-1985, points 1.2.1 *et seq.* and 2.3.22.

State-trading countries

Council for Mutual Economic Assistance

2.2.37. The month of May witnessed a fundamental change in relations between the Eastern bloc countries, the Council for Mutual Economic Assistance and the Community.

Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy, received a letter from Mr Vyacheslav Sychov, Secretary of the CMEA, informing him of the organization's readiness to establish official relations with the Community and also that, alongside the establishment of such relations, various member countries of the CMEA were in principle willing to set their relations with the Community on a bilateral basis.

This letter followed the proposal made by Mr De Clercq when he wrote to Mr Sychov on 31 January expressing the Community's wish to normalize relations with the CMEA and with its member countries.¹ Mr De Clercq's letter had been addressed both to the CMEA and to each of its European member countries.

In the course of May the Commission received replies from the Foreign Ministers of Hungary, Poland, Bulgaria, Czechoslovakia, the USSR and the German Democratic Republic to the letters which they had themselves received from Mr De Clercq; the Romanian Foreign Minister had already replied in March. The Commission was therefore now in possession of replies from all the recipients of Mr De Clercq's letters. All indicated a desire to develop bilateral relations with the Community.

On 29 May Mr De Clercq replied in turn to the letters received from Hungary and Romania. In his letter to the Hungarian authorities, Mr De Clercq accepted their suggestion of a meeting between himself and an appropriate counterpart on the Hungarian side, at which bilateral relations between the Community and Hungary

would be discussed. In his letter to the Romanian Foreign Minister, Mr De Clercq announced that the Commission had agreed to ask the Council for a mandate to negotiate a cooperation agreement with Romania and to accept an invitation to visit Bucharest for talks in this connection. The agreement would incorporate the existing agreements on trade in industrial products and on the establishment of a Joint Committee and would extend them to include trade in agricultural products and cooperation in various sectors. This mandate was approved by the Commission, for transmittal to the Council, on 28 May.

Detailed discussions were held within the Commission and with the Community Member States on the appropriate response to Mr Sychov and to the other CMEA member countries.

China

2.2.38. On 23 May Mr Delors received Mr Wu Xuequan, the Foreign Minister of the People's Republic of China.

In the course of their talks they both expressed satisfaction with the good political and economic relations between the Community and China. They confirmed the desire of both sides to strengthen cooperation and to develop trade.

The Chinese Foreign Minister expressed strong optimism concerning the prospect of a Commission Delegation being set up in Peking.

On the same day Mr Wu also had talks with Mr De Clercq, notably on a number of international policy issues.

Development ²

North-South relations

Developing countries' debt problems

2.2.39. The Tokyo Western Economic Summit ended on 6 May with the adoption

¹ Bull. EC 2-1986, point 2.2.21.

² For regional cooperation with Asian countries, see point 2.2.33.

of an economic declaration which focused largely on aid for the developing countries, with particular reference to the debt problem (→ points 1.3.2 and 3.4.1).

Cooperation within international forums

Special session of the UN General Assembly on Africa

2.2.40. The United Nations General Assembly's special session on Africa was held from 27 to 31 May. Following lengthy negotiations, an action programme for African recovery and development (1986-90) was adopted. Besides the approval of this very general text, the special session's principal contribution was to concentrate attention at world level on the gravity of the African crisis and the resolve of African governments to undertake reform. It also brought the international community to a recognition of the need to increase aid for Africa and to take account of the scale of the debt burden, even though no specific commitment was given as regards measures to be taken.

The special session will thus constitute a political and moral point of reference which, it is hoped, will influence the real negotiating in the appropriate forums (IDA VIII,¹ IFAD's special African programme,² Paris Club,³ etc.).

A follow-up procedure will ensure that these moral undertakings are matched by actual decisions which have yet to be taken within the various forums.

It was notable that although the principal donors did not make any gesture as a pledge of their moral support, several countries (Canada, the Netherlands and the Scandinavian countries) announced concrete measures in the form of aid or debt rescheduling. Among the major countries, only Japan and France, which planned to increase their total aid, would provide additional resources in response to the needs of the plan. The Community position outlined

initially by Mrs Schoo, the Netherlands Minister of Cooperation, albeit highly circumscribed, nevertheless contained three positive elements:

- (i) readiness to provide USD 12 000 million for IDA VIII;
- (ii) donor countries must endeavour not to become net recipients of financial resources from countries committed to a credible reform programme;
- (iii) position not totally closed with regard to the stabilization of raw material prices and Stabex support.

The Commission, represented by Mr Lorenzo Natali, Vice-President with special responsibility for cooperation and development, in his first address to the Assembly, expressed the Community's viewpoint. His address highlighted the crux of the African problem. Although the Commission did not possess its own means of action on the two key issues — debt and increasing aid — it was able to point to the extremely close correspondence between the major features of the action programme adopted and the Lomé Convention which came into force on 1 May (increased volume of aid, greater flexibility, identical priority objectives, etc.). The Commission also contributed actively to the drawing up of the final compromise on the action programme.

Generalized system of preferences

Unctad Special Committee on Preferences

2.2.41. The fourteenth session of the Unctad Special Committee on Preferences was held in Geneva from 26 to 30 May

¹ International Development Association, part of the World Bank group.

² International Fund for Agricultural Development, a UN specialized agency.

³ Set up in 1956, the Paris Club is an informal group that examines bilateral public debt matters. Participants are the IMF, World Bank, Unctad, European Community and the creditor and debtor countries.

under the chairmanship of the Bahrain ambassador, Mr Karim E. Al Shakar.

The main item on the agenda was as usual an examination of the implementation, maintenance, improvement and use of the generalized system of preferences.

The Community participated actively at all levels of the proceedings. In his statement, the Community spokesman explained the conclusions of the Community's mid-term review of its GSP scheme, as well as the criteria used in introducing a new step in the policy of 'differentiation' in the allocation of benefits for sensitive industrial products.

The aim of the Community's policy continued to be to ensure a better balance in the utilization of its GSP scheme between different beneficiaries, within an overall GSP offer which had been more than maintained in real terms.

In parallel with the formal session of the Special Committee, the Community also carried out a programme of informal bilateral consultations with the twelve beneficiary countries, which provided opportunities to explain in detail numerous aspects of its GSP scheme and the attendant rules of origin, as well as the constraints preventing major improvements in certain directions.

Commodities and world agreements

Coffee

2.2.42. The Executive Board and the Council of the International Coffee Organization met in London from 28 April to 2 May.¹ Although the current period of high coffee prices had resulted in a suspension of export quotas, the background to the discussions was the need to determine allocations at the Council meeting in September with a view to implementing such allocations in the event of a deterioration in the market.

At the request of the United States, two decisions on the application of resolution

329 (exports to non-member countries) and resolution 336 (sanctions to be applied in the event of non-observance of the prices laid down in the Agreement for such exports) were finally adopted, despite the Community's opposition, following three successive votes. The Community, believing that the questions raised by these two decisions could not be satisfactorily resolved unless allocations were set at a realistic level in September, had insisted on expressing its disapproval at the untimely acceleration of non-urgent procedures, an action prompted purely by non-economic motives of a major consumer country.

The producer countries, apart from one dissenting vote and one abstention, endorsed the decisions, in spite of some doubts as to how they could be fairly implemented.

The next meeting of the Executive Board was scheduled to be held in London from 30 June to 4 July.

Rubber

2.2.43. With the 1979 International Natural Rubber Agreement due to expire on 22 October next year,² the United Nations conference that was convened to negotiate the terms of a new international agreement resumed in Geneva from 5 to 23 May the negotiations which it had begun in 1985 and had finally had to adjourn owing to the impossibility of reaching a consensus on the basic economic elements of a new agreement (price level and range, role of buffer stock, price revision mechanism).³

The Commission representative made a statement on behalf of the Community and its Member States during the plenary session on 7 May. He stressed the need for the conclusion of an economically and financially viable agreement whose revision procedures would permit close adherence to market realities.

¹ Previous meeting: Bull. EC 1-1986, point 2.2.29.

² Thirteenth General report, point 513.

³ Bull. EC 5-1985, point 2.2.44.

This second session also ended inconclusively, though some progress was achieved on certain technical points, and certain provisions relating to the administrative part of the agreement were settled.

Tropical timber

2.2.44. Following the procedural proposals aimed at resolving the previous failure to reach a decision on the headquarters and appointment of an Executive Director of the International Tropical Timber Organization (linking the candidatures of Indonesia, Japan and the Netherlands for the headquarters with those of France, Gabon and Malaysia for the post of Executive Director), the President of the Organization's Council, Mr Olsson, the Swedish Ambassador, convened two consultation meetings for the members of the Organization.¹

On 7 May he had to concede that his proposals were far from achieving a consensus, and postponed the Council meeting planned for the end of May. With a view to setting a new provisional date, further consultations took place on 21 May; these will be resumed on 9 July. It appeared that a solution could only emerge as a result of multilateral contacts, given the impossibility of holding a Council meeting without the consent of the key members, both producers and consumers.

Although the outcome of the substantive discussions was negative, they did shed useful light on the various positions.

Campaign against hunger in the world

Food aid

2.2.45. The Commission took decisions at the end of April and the beginning of May concerning the following emergency food aid allocation: 100 tonnes of vegetable oil for Saharan refugees via the ICRC; 16

tonnes of 'rizine' to the NGO 'Trocaire' for undernourished children in Kampuchea; 2 740 tonnes of cereals and 170 tonnes of milk powder for drought victims in the Ethiopian province of Wollo, via 'World Vision' (a United Kingdom agency); 200 tonnes of cereals and 100 tonnes of milk powder for victims of Cyclone Onorinina in Madagascar, via the NGO 'Association Aide au Tiers Monde'; 5 000 tonnes of cereals for displaced persons in the south of Sudan, via Oxfam-UK.

Financial and technical cooperation

ACP States

2.2.46. In May the Commission allocated fifth EDF resources totalling 4 100 000 ECU, under the heading of projects, programmes and emergency aid operations administered by it, to finance the following operations (Table 7).

Southern and eastern Mediterranean countries

2.2.47. The Commission took the following financing decisions involving resources provided under the Cooperation Agreements with the southern and eastern Mediterranean countries:

Tunisia: Inventory of soil resources and desertification risk in southern Tunisia (grant: 400 000 ECU); technical assistance scheme for agricultural cooperative units (grant: 1 800 000 ECU); project to improve the management of public irrigated areas (grant: 2 500 000 ECU).

Egypt: Scheme to improve the growing of feedingstuffs (grant: 1 300 000 ECU).

¹ Nineteenth General Report, point 918.

Table 7 — *Financing of fifth EDF operations*

		(million ECU)	
	Project	Grants	Loans
<i>Industrialization</i>			
Equatorial Guinea	Extension of the Malabo electricity system	2.700	
<i>Emergency aid</i>			
Uganda	For the victims of recent events and certain diseases	0.500	
Fiji	Aftermath of Cyclone Martin	0.400	
Solomon Islands	Aftermath of Cyclone Namu	0.500	
	Total	4.100	

Latin American and Asian developing countries

2.2.48. With the endorsement of the Committee of Aid to Non-associated Developing Countries, the Commission took decisions on 15 and 30 May to finance the following from the appropriation under Article 930 of the Community budget:

China: development of sugar beet cultivation in Gansu, autonomous project — total cost 2.46 million ECU, Community contribution 1 million ECU;

El Salvador: University of El Salvador rehabilitation programme, cofinancing with Italy — total cost 5 million ECU, Community contribution 3.3 million ECU;

Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama: regional programme to reduce child mortality in Central America, parallel cofinancing — total cost USD 31 150 000, Community contribution 16 500 000 ECU;

Peru: support programme for arable and livestock-farming microprojects, Puno, autonomous project — total cost 19 million ECU, Community contribution 16 million ECU;

Indonesia: Lusi — Jratunseluna Basin irrigation project (Central Java), parallel co-

financing with the World Bank — total cost 52.36 million ECU, Community contribution 20.64 million ECU.

Cooperation via non-governmental organizations

2.2.49. In the period 1 to 31 May a total of 11.9 million ECU was committed by the Commission for the cofinancing of 86 projects presented by 50 NGOs to be undertaken in developing countries.

The Commission also contributed a total of 1 675 410 ECU to 32 campaigns to increase European public awareness of development issues.

*

Visits

2.2.50. The President of Guinea-Bissau, General João Bernardo Vieira, paid an official visit to the Commission on 12 May. He had already visited the Commission in 1980 as principal commissioner (prime minister), but this was his first visit since becoming president.

President Vieira was received by Mr Natali, with whom he had detailed discussions on Guinea-Bissau's development objectives

and priorities. He outlined his country's economic situation and the difficulties it is currently facing, particularly its foreign debt problem, which continues to cause great concern. He pointed out that negotiations were in progress with the IMF and that Guinea-Bissau had already undertaken a number of economic reforms, which had already produced results.

President Vieira and Mr Natali in their discussions also ranged over the various political problems facing Africa, especially southern Africa.

A meeting also took place between President Vieira and Mr Antonio Cardoso e Cunha, Member of the Commission with special responsibility for fisheries.¹

In parallel with these discussions, a meeting took place between Mr Bartolomeu S. Pereira, Minister of Economic Coordination, Planning and International Cooperation, and senior Commission officials, with the object of reviewing various aspects of cooperation between Guinea-Bissau and the Community, including the third Lomé Convention, under which Guinea-Bissau is entitled to 35 million ECU.

International organizations and conferences

United Nations

General Assembly

2.2.51. The special session of the United Nations General Assembly on Africa, which

was held from 27 to 31 May, adopted a programme of action for African economic recovery and development (1986-90) (→ point 2.2.40).

2.2.52. In accordance with a decision taken by the General Assembly in December 1985, the Second Committee (Economic and Financial), met from 5 to 9 May to examine how international cooperation could be promoted in interdependent spheres (monetary, financial, trade etc.) and to deal with a number of draft resolutions which had been held in abeyance since December, including texts on debt and commodities. One of the texts on debt came from the Community.

Faced with such an ambitious programme for such a short period, the Second Committee had to defer examination of these drafts until the forty-first session of the Assembly, though it did hold intensive discussions on the question of commodities, a sector in which international cooperation is faced with growing difficulties. It was also decided to continue the examination of the 'interdependent spheres' at the second regular session of the Economic and Social Council in July.

¹ See also points 2.1.151 and 2.1.152.

3. Financing Community activities

Budgets

General budget

Current financial situation

2.3.1. On 12 May, at the request of two Member States, the Council resumed the discussion it began on 21 April¹ on the Community's budgetary² and financial³ situation. Greece tabled a memorandum on strengthening the Community's economic and social cohesion, in which it expressed the view that the 1.4% VAT ceiling, laid down in the 1987 preliminary draft budget,² was not sufficient to implement in 1987 the objectives for cohesion contained in the Single Act.⁴ The Greek Government also asked that its suggestion for the preparation of a multiannual programme to bring about economic and social cohesion, in conjunction with the completion of the internal market, should be discussed at the next European Council.

ECSC operating budget

2.3.2. On 13 May, having consulted the Council, the Commission adopted (under Articles 49 and 50 of the ECSC Treaty) a recommendation on the establishment of preferential treatment for debts in respect of levies on the production of coal and steel.⁵ This requires those Member States which confer on tax debts due to the State preferential treatment in respect of all or part of the debtor's assets, to confer the same treatment on debts arising from ECSC levies; and it requires those Member States in which tax debts enjoy general or special preference of a different rank depending on the tax involved, to confer on debts arising from ECSC levies the same rank as that conferred on debts in respect of VAT. The preferential treatment is to apply to the amount due in respect of the levy, plus any surcharges for delay. Member States are to

bring into force the laws, regulations and administrative procedures necessary to comply with the recommendation not later than 1 January 1988.

Financial operations

ECSC

Loans raised

2.3.3. On 23 May the Commission made a USD 100 million public issue for five years at 7.72%, issued at 100 3/8%. This loan replaces an earlier one which will be redeemed ahead of schedule in order to reduce the financing cost of loans previously granted.

The Commission made a number of private placings in German marks for the equivalent of 43.14 million ECU.

Loans paid out

2.3.4. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission made the following loans in May, totalling 83.40 million ECU.

Industrial loans

2.3.5. An industrial loan (second paragraph of Article 54) of 8.37 million ECU was made to the Federal Republic of Germany for a thermal power station.

¹ Bull. EC 4-1986, point 2.3.1.

² Bull. EC 4-1986, points 2.3.3 to 2.3.6 and 1.2.1 *et seq.*

³ Bull. EC 4-1986, point 1.1.1 *et seq.*

⁴ Supplement 2/86 — Bull. EC.

⁵ OJ L 144, 29.5.1986.

Conversion loans

2.3.6. A conversion loan (Article 56) totalling 72 950 ECU was paid out as a supra-regional loan for small and medium-sized firms in France.

Subsidized housing

2.3.7. Loans for the building of subsidized housing for steelworkers and coalminers amounted to 2.08 million ECU.

Euratom

Loans raised

2.3.8. The Commission made a public issue of FF 500 million at par for 12 years with an interest rate of 7 5/8%.

4. Political and institutional matters

Political cooperation

2.4.1. On 12 May the Ministers of Foreign Affairs meeting in Brussels issued a joint press release on the Philippines.

'Following their joint communication to the press of 25 February 1986 on the situation in the Philippines,¹ the 12 Foreign Ministers of the Member States of the European Communities once again discussed current developments in the situation in the Philippines. The Twelve welcomed the efforts of the Philippine Government to promote the social and economic development of the country and agreed to consider the possibilities for aid and economic cooperation at bilateral or Community level.'

2.4.2. The Presidency issued the following statement on Cambodia on 13 May:

'The Twelve have noted the statement made by the Member States of Asean during their conference in Bali on 28 April last in favour of the proposals formulated by Prince Sihanouk on 17 March last. The Twelve appreciate these developments, which represent a positive contribution to the search for a political solution to the Cambodian problem.

The Twelve express the hope that Vietnam will reconsider its refusal to regard Prince Sihanouk's proposals of 17 March as a viable basis for negotiation.

The Twelve will continue to advocate a solution in accordance with the resolutions adopted by the United Nations and, in this spirit, they reaffirm their support for Asean's efforts with regard to Cambodia.'

2.4.3. On 15 May the Presidency issued a warning to travellers following the Chernobyl nuclear accident:²

'The Twelve have exchanged information on recent radiation levels following the Chernobyl nuclear accident and draw the attention of travellers to the following.

As far as the Soviet Union is concerned, the evidence available indicates that large areas of the Ukraine and Byelorussia are still affected by increased radiation levels and would be better avoided.

The evidence available shows that levels of radioactivity in Poland, Romania, Hungary, Czechoslovakia and Bulgaria, though less than in large parts of the Ukraine and Byelorussia, are higher than the normal background radiation level.

Travellers to and citizens resident in the above-mentioned regions should continue to avoid fresh milk and free-range eggs. Surface-grown vegetables should preferably be avoided and in any case should be washed and peeled. Fresh fruit should

¹ Bull. EC 2-1986, point 2.4.3.

² Measures adopted by the Community in response to the Chernobyl accident are reported at point 1.1.1 *et seq.*

be peeled. Tapwater is safe; food tinned, frozen or preserved before 26 April is safe.

The situation remains under constant review.'

2.4.4. On 22 May the Presidency issued the following statement by the Twelve on the South African military action of 19 May:

'The Twelve strongly condemn the South African military actions on 19 May against Botswana, Zambia and Zimbabwe and threats, officially expressed, to strike again. The attacks of 19 May are a serious violation of the sovereignty of the three countries. The Twelve deplore the loss of human lives resulting from these actions.

The Twelve express their deepest concern about the negative effects of these actions on the possibilities for a peaceful solution of the grave problems of South Africa.

The Twelve once more reiterate their views on the situation in southern Africa as set out in the joint communiqué with the frontline States, issued in Lusaka on 4 February 1986.¹ They urge the South African Government to initiate the necessary political dialogue with the genuine representatives of those South Africans now excluded from the present government structures with the aim of abolishing the apartheid system.

To this end, the Twelve consider it essential that the ban on the ANC, the PAC and other political parties should be lifted and that all political prisoners in South Africa should be freed immediately.'

2.4.5. On 23 May the Presidency published the following statement by the Twelve on the Summit meeting held at Esquipulas in Guatemala:

'The Twelve welcome the Esquipulas Summit which confirms the wish of the Central American countries to continue their dialogue and to further their regional cooperation. They regard the Summit as an opportunity for the five countries of Central America to consider together a range of innovative ways of tackling the critical problems facing the region today.

They note the proposals under consideration to enhance economic and political cooperation among the five and reiterate their conviction that peace and stability throughout the region will be decisive in developing such cooperation.

On various occasions the Twelve have stressed the importance of the Contadora initiatives in furthering these objectives. They confirm their view that an *acta* for peace and cooperation in Central America, representing a balanced and comprehensive

settlement of the conflicts of Central America and subject to verification, would provide the framework for the consolidation of democracy and the growth of prosperity throughout the region.

The Twelve are convinced that the achievement of these objectives would play an essential part in creating the climate of cooperation necessary for a harmonious development of the countries of Central America. They recall that these objectives were central to the political dialogue begun in San José² and continued in Luxembourg.³ Their achievement is of great importance to the progress of the cooperation between the Twelve and Central America.

The Twelve believe that the moment has now arrived to conclude the sustained efforts of all involved by reaching final agreement on the *acta* for peace and cooperation in Central America. They therefore urgently appeal to the five to conclude their negotiations, to sign an *acta* as proposed by the Contadora Group and ensure its full implementation.'

European policy and relations between the institutions

European policy

Ratification of the Single European Act

2.4.6. On 29 May the Danish Parliament (Folketing) authorized the ratification of the Single European Act.⁴

¹ Bull. EC 2-1986, point 2.4.1.

² Bull. EC 9-1984, point 1.3.1 *et seq.*

³ Bull. EC 11-1985, point 1.2.1 *et seq.*

⁴ Supplement 2/86 — Bull. EC.

Institutions and organs of the Communities

Parliament ¹

Strasbourg: 12 to 16 May

2.4.7. The shadow of the Chernobyl disaster (→ point 1.1.1 *et seq.*) hung over Parliament's May part-session. The nuclear accident was frequently cited in the debate on the disaster itself, in the debate on the fight against cancer (→ point 2.1.98) and in the one on European security. Politically significant debates such as those on the results of the Tokyo Summit and on budgetary issues were thrust somewhat into the background.

A further highlight was the address by HM the King of Spain, Juan Carlos, who, during a special sitting, made an eloquent appeal in favour of European Union.

No to a European strategic defence project

2.4.8. Parliament's Subcommittee on Security and Disarmament put an oral question to the Foreign Ministers meeting in political cooperation, hinting that it hoped the Community would embark on 'a European project for strategic defence'. At the end of the debate the House had to vote on eight resolutions, including one from the Subcommittee which it did not adopt. In the end it passed only one resolution, the one moved by the Socialists, after making substantial amendments.

2.4.9. The debate began with the rejection of the request by Mrs Winifred Ewing (EDA/UK), supported by the Irish members, not to discuss matters of security, as they did not fall within the Community's jurisdiction. Mr Hans-Gert Poettering (EPP/D), on behalf of the Security and Disarmament Subcommittee, then addressed Mr W.F. van Eekelen, Dutch State Secretary with responsibility for European Affairs, currently chairing political cooperation. Mr

Poettering maintained that the issues of European security fell legally within the Community's purview, basing this assertion on the 1983 Stuttgart Declaration² and the Single European Act.³ Eschewing any contrived distinction between economic, political and military aspects of security, he held that if two or three Member States did not wish to deal with this issue within political cooperation, they must not prevent the others from doing so and from making what progress they could. He saw it as a paradox that those same States, while denying Europe a role of its own, were complaining about the dominance of the two superpowers and their attitude towards Europe. In conclusion, he hoped that the future secretariat of political cooperation would not consist simply of national officials, but would operate according to Community rules and thus make it possible to initiate a genuine dialogue with Parliament. In speaking to the question, Mr Michel Toussaint (*Lib/B*) declared that both the Franco-German Treaty of 1963—whose intentions had been restated by the two governments last February—and Parliament's earlier resolutions⁴ confirmed the political resolve and implicit or explicit recognition of the fact that security, like defence, must be included in European Union. If Europe was to continue to be competitive in the new technologies and not one day find itself 'with no defence at all', a *European* decision had to be taken without delay on the American Strategic Defence Initiative (SDI). Mr Toussaint agreed that in so doing the Europeans would have to take account of a number of factors such as the stability of East-West relations, compatibility of SDI

¹ The complete texts of the resolutions adopted by Parliament are reproduced in OJ C 148, 16.6.1986, and the report of the proceedings is contained in OJ Annex 2-339. 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.

² Bull. EC 6-1983, point 1.6.1.

³ Supplement 2/86 — Bull. EC.

⁴ OJ C 163, 10.7.1978; Bull. EC 6-1978, point 2.3.17; OJ C 307, 14.11.1983; Bull. EC 10-1983, point 2.4.10; OJ C 322, 28.11.1983; Bull. EC 10-1983, point 2.4.19.

with the ABM Treaty, the possibility that the Americans would keep the results of certain research to themselves and the issue of the possible economic spin-off for Europe.

In his reply Mr van Eekelen observed that although some Member States wanted to move forward on defence, this was still not a common aim. Since all political cooperation could do was concentrate on the issue of security as opposed to defence, other means of action must be sought, even though it might not be the most effective and constructive approach, within other forums such as the Western European Union (WEU). Mr van Eekelen also believed that, within the Western Alliance, Europe should endeavour to secure more effective use of its specific contribution. European strategic defence was not for tomorrow and it was therefore essential to rely on the United States, within the framework of NATO, for the military aspects. Mr van Eekelen did agree, however, that Europe's technological capacity (within the European Space Agency and the Eureka, Esprit and other programmes) should be strengthened all round and thus also from the standpoint of arms production.

During the debate the advocates of a European design for defence were pitted against the supporters of a more or less vague conception of European security, with varying degrees—depending on the political group concerned—of dependence or independence with regard to the United States or, implicitly, the Soviet Union. Among the first speakers, Mr Pierre Bernard-Reymond (*EPP/F*) condemned moves that were so cautious as to be a poor excuse for a policy and observed that for a long time yet the defence of Europe would be the affair of each member of the Atlantic Alliance. At the same time he asked whether the Ministers meeting in political cooperation could still cling to the mythical distinction between political affairs, security and defence: could an economic and political Europe be built without defence? He suggested that if security issues could be dealt with only within the WEU Assembly then members of the

European Parliament should sit there instead of their national counterparts. In conclusion, he warned that nations which left the care of their defence too long to others might well be ready to abandon anything and everything. Mr Fernando Condesso (*Lib/P*) and Mr José Manuel Medeiros Ferreira (*EDA/P*) wanted to see a sovereign Europe contributing to peace. Mr Condesso believed that the Twelve needed a realistic and workable design for their own defence and must play their full part on the technological side, while Mr Ferreira felt that Europe must defend itself and to do so must have other relations with the United States and with the Soviet Union. Mr Olivier d'Ormesson (*ER/F*) held that the Community's economic and political development was wedded to its military capacity: SDI was the only way of obviating the risk of a disaster that would mean the end of Europe and the commissioning of the neutron bomb as the only means of stopping Soviet tanks. To be able to work for peace, explained Mrs Gisèle Charzat (*Soc/F*), Europe must have its own defence policy; moreover, as regards SDI, the US policy of restricting transfers of technology revealed the limits of Europe-US cooperation. Europe had a role to play, first by making European arms systems, and then by developing the advanced technologies, including space. Mrs Charzat called for the development of an autonomous strategy in data processing and electronics and the definition of new objectives for space, with the development of space stations and European manned space flights. Europe must have the courage to stand on its own two feet in the matter of its own security, said Mr Poul Møller (*ED/DK*). Mr Jean Penders (*EPP/NL*) and Mr Derek Prag (*ED/UK*) thought it might be better for at least some of the Member States to undertake something, if all twelve were unable to act together. The first thing was for Europe to speak with a single voice on the international scene and on the SDI issue, declared Mr François Musso and Mr Alfred Coste-Floret (*EDA/F*).

Some of the opposing arguments tended to be out of touch with reality. Mr Klaus

Hänsch (*Soc/D*) rejected a European defence policy and urged that Europeans should be participating in the Geneva negotiations. Establishing a bold parallel with the Chernobyl fallout and an ambiguous balance between the Soviet SS 20 missiles and the American Pershings, Mr Sergio Segre (*Com/I*) spoke of the feelings of insecurity no less in the east than in the west as he stressed the need for a European arms reduction policy. The Community must be a power for peace, declared Mrs Dorothee Piermont (*Rainbow/D*), who then recommended conversion of military resources for civil use. Others too rode their hobbyhorses: Mr Dimitrios Adamou (*Com/GR*) was a fervent advocate of having all weapons destroyed, and Mr Ib Christensen (*Rainbow/DK*) opposed any meeting of European Defence Ministers. Having restated his opposition on principle¹ to any idea of European defence, Mr Robert Chambeiron (*Com/F*) suggested that the Community take its cue from the Indian philosophy on disarmament. Lastly, Mr Patrick Lalor (*EDA/IRL*) reaffirmed Ireland's neutrality and felt that Europe, small as it was, should not appear to be involved in any 'strategic flexing of muscles'.

Of the eight motions for resolutions tabled at the end of the debate, the House, after a very bumpy ride, finally adopted only the one presented by Mr Klaus Hänsch (*Soc/D*) and Mr Pieter Dankert (*Soc/NL*). In a much shortened form it was passed by 233 votes to 29 with 18 abstentions, having lost the paragraphs rejecting SDI and those declaring that only the cooperation of the Twelve could prevent military action by the superpowers in its immediate sphere of influence. The resolution called on the Foreign Ministers meeting in political cooperation to:

- (i) confirm their renouncement of the threat or use of force, both nuclear and conventional;
- (ii) draw up plans for a permanent advisory group on European security including representatives of both alliances, the non-aligned and neutral States;

- (iii) draw up plans for a joint West European observation satellite;

- (iv) seek a radical overall reduction in defence expenditure through disarmament initiatives and the use of these funds for the benefit of the Third World.

The Foreign Ministers were also asked to define a genuinely European position on the various disarmament initiatives and to agree on steps which would lead, at the UN disarmament conference in Geneva, to the signing of an agreement on the banning and destruction of chemical and biological weapons.

2.4.10. Parliament gave opinions on the following Commission proposals:

- (i) a Directive on adoption of the MAC/packet family of standards for direct broadcasting by satellite (→ point 2.1.40);

- (ii) a Directive authorizing Greece to defer for the second time — until 31 December 1986 instead of 31 December 1985 — the deadline set in the Act of Accession for introducing the common system of value added tax (1 January 1984) (→ point 2.1.64);

- (iii) a Decision adopting a European Action Scheme for the Mobility of University Students (Erasmus) (→ point 2.1.74);

- (iv) a memorandum and a recommendation on the employment of disabled people in the Community (→ point 2.1.82);

- (v) a resolution on the new medium-term action programme (1986-90) to promote equal opportunities for women (→ point 2.1.79);

- (vi) amendments to Regulations Nos 1408/71 and 574/72 concerning social security for migrant workers (→ point 2.1.86);

- (vii) a resolution on a programme of cancer prevention (→ point 2.1.98);

- (viii) a Regulation concerning the conclusion of the Cooperation Agreement between the EEC, of the one part, and the countries parties to the General Treaty on

¹ OJ C 307, 14.11.1983; Bull. EC 10-1983, point 2.4.10.

Central American Economic Integration (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) and Panama, of the other part (→ point 2.2.36).

2.4.11. Parliament also passed resolutions on the following subjects.

The Chernobyl nuclear disaster and its adverse repercussions on the agricultural sector. In one resolution (→ point 1.1.5) Parliament deplored the absence of any binding international rules and called for implementation of effective inspection mechanisms at international level.

In a second resolution (→ point 1.1.5) Parliament called on the Soviet Government, which was responsible for the accident, to pay compensation to European farmers, and urged the Foreign Ministers to do their utmost to ensure that it was in fact paid.

Community measures to improve the situation of old people in the Member States. Stressing that the moral and civil values embodied in old people represented a highly positive factor for society as a whole and that these people were playing an important economic, social, educational and cultural role, Parliament held that improving the lot of the elderly had to be one of the priority objectives for Community social policy and that, if this objective was to be attained, increased budgetary funds must be earmarked for it. During the debate before the resolution was adopted, Mr Manuel Marín, Commission Vice-President with special responsibility for social affairs, pointed to the inability of the Community and Member States to finance such a policy in the long run because of their falling birth rate: 'The European Community, which is capable of producing surpluses in various products, is proving incapable of producing children'.

A European charter for children in hospital. Parliament called on the Commission to submit as soon possible a proposal for a charter proclaiming, in particular, the following rights: the right to be admitted to hospital only if the treatment they need cannot be provided at home, the right not

to be subject to therapeutic experimentation without their parents' consent, given after all the appropriate facts have been made known; the right to be protected from unnecessary medical treatment or distress; the right to be treated with tact, civility and understanding by appropriately trained staff and to be able to enjoy all the moral and material conditions enabling them to lead a normal life; the right to be guaranteed the treatment they need.

Concerned that budgetary cuts in many Member States were hitting the public health sector, Parliament asked the Commission to submit proposals to ensure that national statistics on health and hospital admission included standardized data for each age range so that such data might be comparable.

Structural policy in the fisheries sector and future prospects. Parliament considered that the Community must have fisheries policies and resources which would enable the industry to operate successfully on a world scale. It therefore urged the Commission to propose and implement aid measures for offshore and middle-water fishing vessels, aquaculture projects, exploratory fishing and the modernizing of fishing vessel maintenance installations and fish-processing and distribution facilities. Finally, the House considered that a European Fisheries Fund should be set up to marshal existing and future support.

The results of the Tokyo Summit as regards economic and monetary cooperation and the fight against terrorism. In two resolutions Parliament particularly deplored the fact that the Commission had not been admitted to the former 'Group of Five' and restated the need for the Community to be united — especially as regards its relations with the United States and Japan. In three other resolutions the House, while welcoming the broad agreements on economic cooperation and on stabilizing exchange rates through concerted intervention by the Central Banks, regretted that nothing definite had been agreed on specific action to solve the major problems confronting the world economy. The House called on the

Japanese authorities to implement the recommendations of the Maekawa report on structural reform of the Japanese economy and considered that efforts must be stepped up to avoid an 'agricultural war' between the United States and Europe. Finally, it approved the terms of the declaration on international terrorism and hoped that it would be very swiftly translated into concrete action and worldwide cooperation against this scourge.

Council

2.4.12. The Council held four meetings in May. 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.

Table 8 — *Council meetings in May*

Number, place and date of meeting	Subject	President	Commission	Main items of business
1078th Brussels 26 May	Internal market/ consumer protection	Mr van Eekelen Mr van Zeil	Lord Cockfield Mr Varfis	Internal market Progress on White Paper ¹ Directive on noise emitted by excavators Abolition of certain postal charges for customs presentation Television without frontiers Simplification of border controls Right of residence Consumer protection New impetus for consumer policy ² Indication of prices of non-food products and foodstuffs ² Consumer credit ²
1079th Brussels 12 and 13 May	Foreign affairs	Mr van den Broek Mr van Eekelen	Mr Christophersen Mr Andriessen Mr Cheysson Mr De Clercq	Action following Chernobyl accident ³ Mediterranean policy of enlarged Community Malta: preparation for Association Council meeting ⁴ Relations with Turkey GATT — new round of multilateral trade negotiations Follow-up to Western Economic Summit in Tokyo Budget and own resources ⁵ Declaration against racism and xenophobia

Table 8 (continued)

Number, place and date of meeting	Subject	President	Commission	Main items of business
1080th Brussels 26 and 27 May	Agriculture	Mr Braks	Mr Andriessen	Plant health and foodstuffs ⁶ Beef/veal imports MCAs for pigmeat, eggs and poultry ⁶ Agricultural structures ⁶ Chernoby ³
1081st Brussels 29 May	Health	Mr van der Reijden	Mr Marín	Programme of action against cancer ⁷ Toxicology ⁷ AIDS ⁷ Alcohol abuse ⁷ Health card ⁷ Dialysis ⁷ Medical and public health research ⁷ Drug addiction ⁷

¹ Internal market and industrial affairs.

² Environment and consumers.

³ Point 1.1.1 *et seq.*

⁴ Relations with other countries and regions.

⁵ Financing Community activities.

⁶ Agriculture.

⁷ Employment, education and social policy.

Commission

Activities

2.4.13. Mr Jacques Delors, President of the Commission, Mr Pierre Pflimlin, President of Parliament, Mr Carlo Ripa di Meana, Member of the Commission with special responsibility for a people's Europe, and Mr M. H. J. C. Rutten, the Dutch Permanent Representative, representing the President of the Council, took part in the ceremony to mark the adoption of the European flag and anthem (→ point 2.1.99).

On 21 May the Commission received Sir Geoffrey Howe, the Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom, which will be presiding over the Council for the six months from 1 July, for a wide-ranging discussion on the UK Presidency's main priorities.

The President of the Commission attended the Western Economic Summit in Tokyo (→ point 1.3.1 *et seq.*).

Decisions, communications and proposals

2.4.14. The Commission transmitted to the Council a programme for the liberalization of capital movements in the Community, which is an essential factor in achieving the single internal market (→ point 1.2.1 *et seq.*).

Proposals for Directives on the limitation of pollutant gas and particulate emissions from diesel engines were also transmitted to the Council (→ points 2.1.108 to 2.1.110).

Four communications were adopted to boost a number of Community research programmes during the financial year (second phase of the Esprit programme,

Brite, the Researchers' Europe and biotechnology) (→ point 2.1.32).

The Commission adopted a proposal for a Council Directive on the extension of less-favoured farming areas in Germany qualifying for aid from the EAGGF (→ point 2.1.134). It also presented to the Council a proposal to amend the rules on the sale of butter at reduced prices to persons receiving social assistance (→ point 2.1.127).

Following the accident at the Chernobyl nuclear power station, the Commission

issued a number of directives to its departments. It set up a 'Committee of Wise Men' to provide it with scientific assistance and decided to put to the Council a proposal on objective safety criteria for nuclear power stations as a preliminary measure in this field (→ point 1.1.4).

Finally, in a communication to the Council the Commission defined the Community's objectives for the new GATT round (→ point 2.2.1 *et seq.*).

Court of Justice

2.4.15. New cases

Case	Subject	Basis
ECSC — Steel 110/86 <i>Stahlwerke Peine-Salzgitter v Commission</i> ¹	Annulment of the Commission Decision of 21 March 1986 in so far as it determines that part of production quotas which may be delivered in the common market	Article 33 ECSC
Free movement of goods 98/86 <i>Ministère Public v Mathot</i>	Is the requirement imposed only on Belgian processors, and not on their competitors from other Member States, to indicate their name and address on the packaging of butter compatible with Article 30 EEC?	Article 177 EEC
Competition 115/86 <i>Northern Ireland Coal Importers' Association v Commission</i>	Annulment of Commission Decision 86/152/ECSC of 21 March 1986 authorizing agreements in relation to the activities of the NICIA	Article 33 ECSC
Agriculture 117/86 <i>Unión de Federaciones Agrarias de España v Council and Commission</i>	Annulment of Council Regulation No 569/86 laying down general rules for the application of the supplementary mechanism applicable to trade and of Commission Regulation No 574/86 laying down detailed rules for the application of that mechanism	Article 173 EEC
119/86 <i>Spain v Commission</i>	Annulment of Council Regulation No 569/86 laying down general rules for the application of the supplementary mechanism applicable to trade and of Commission Regulations No 574/86, No 624/86, No 641/86, No 643/86 and No 647/86 laying down detailed rules for the application of that mechanism	Article 173 EEC

Case	Subject	Basis
128/86 Spain v Commission	Annulment of Commission Regulation No 648/86 fixing the regulatory amounts for the 1985/86 marketing year for imports of certain viticultural products from Spain into the Community as constituted at 31 December 1985 and of Commission Regulation No 969/86 amending Regulation No 648/86 in respect of those regulatory amounts	Article 173 EEC
External relations		
106/86 Tokyo Electric v Council	Annulment of Council Regulation No 113/86 amending 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	Article 173 EEC
107/86 Silver Seiko v Council	Annulment of Council Regulation No 113/86 amending 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	Article 173 EEC
114/86 United Kingdom v Commission	Annulment of the Commission decision concerning the distribution of service contracts outlined on 6 March 1986 to the Member States within a Council working party: violation of the Lomé II Convention	Article 173 EEC
121/86 and 121/86R Epikhiriseon Metalleftikon Viomikhanikon kai Naftiliakon and Others v Council and Commission	Annulment of Council Decision 86/59/EEC terminating the anti-dumping proceeding concerning imports of dead-burned (sintered) natural magnesite originating in the People's Republic of China and North Korea Application for production of documents by the Commission	Article 173 EEC Article 83 of the Rules of Procedure of the Court
122/86 Epikhiriseon Metalleftikon Viomikhanikon kai Naftiliakon and Others v Council and Commission	Claim for damages in respect of losses suffered as a result of Council Decision 86/59/EEC terminating the anti-dumping proceeding concerning imports of dead-burned (sintered) natural magnesite originating in the People's Republic of China and North Korea	Article 215 EEC
129/86 Greece v Commission and Council	Annulment of Council Decision 86/59/EEC terminating the anti-dumping proceeding concerning imports of dead-burned (sintered) natural magnesite originating in the People's Republic of China and North Korea	Article 173 EEC
Infringements		
104/86 Commission v Italy	Rules on evidence preventing the refund of national taxes having an equivalent effect	Article 169 EEC
105/86 Commission v France	Rules on evidence preventing the refund of national taxes having an equivalent effect	Article 169 EEC

Case	Subject	Basis
113/86 Commission v Italy ¹	Failure to comply with Article 10 of Council Regulation No 2782/75 on the production and marketing of eggs for hatching and of farmyard poultry chicks and with Articles 4 and 6 of Commission Regulation No 1868/77 concerning the notification of statistics on hatcheries	Article 169 EEC
116/86 Commission v Italy	Failure to apply Council Directive 79/109 EEC amending Directive 64/432 EEC as regards brucellosis	Article 169 EEC
123/86 Commission v Greece	Failure to incorporate into national law Council Directive 79/923/EEC on the quality required of shellfish waters	Article 169 EEC
124/86 Commission v Italy	Failure to apply Council Directive 83/183/EEC on tax exemptions applicable to permanent imports from a Member State of the personal property of individuals	Article 169 EEC
125/86 Commission v Italy	Failure to apply Council Directive 83/181/EEC determining the scope of Article 14(1)(d) of Directive 77/388/EEC as regards exemption from value added tax on the final importation of certain goods	Article 169 EEC

Disputes between the Community and its staff

111/86 — Commission v Delauche¹

108/86 — di Muro v Council and Economic and Social Committee

¹ OJ C 152, 18.6.1986.

2.4.16. Judgments

Date and case	Held
<p>ECSC — Steel</p> <p>6.5.1986: 25/85 Nuovo Campsider v Commission¹</p>	<p>The application is declared inadmissible (application for a declaration that by failing to give effect to the applicant's formal request made on 16 November 1984 the Commission failed to fulfil its obligations under the ECSC Treaty and committed a misuse of its powers)</p>
<p>Free movement of goods</p> <p>6.5.1986: 304/84 Ministère Public v Muller and Others¹</p>	<p>1. Council Directive 74/329/EEC does not prevent a Member State from prohibiting the use of one of the substances listed in Annex I thereto, provided that the conditions in Articles 5 and 8 of the Directive and, as regards the application of the prohibition to foodstuffs imported from other Member States, Article 30 <i>et seq.</i> EEC are observed</p>

Date and case	Held
<p>15.5.1986: 160/84 Oryzomyli Kavallas and Oryzomyli Aghiou Konstantinou, G. Raptis — L. Triantafyllidis v Commission²</p> <p>27.5.1986: 87 and 88/85 Société Coopérative des Laboratoires de Pharmacie Legia and Others v Minister for Health</p>	<p>2. Articles 30 to 36 EEC do not prevent a Member State from prohibiting the marketing of foodstuffs to which one of the substances listed in Annex I to Directive 74/329/EEC has been added and which are imported from other Member States where they are lawfully marketed; however, the marketing of such foodstuffs must be authorized, under a procedure easily accessible to traders, where the addition of the substance in question meets a genuine need and presents no danger to public health. It is for the competent national authorities to show in each case, in the light of national dietary habits and with due regard to the results of international scientific research, that the rules are necessary to give effective protection to the interests referred to in Article 36 EEC</p> <p>The Commission Decision of 25 April 1984 addressed to Greece, finding that the repayment of import duties in a particular case is not justified, is void</p> <p>Article 30 <i>et seq.</i> EEC do not permit the authorities in a Member State to require a supplier of medicinal products, whose registered office is situated in another Member State and which wishes to supply directly pharmacies in the importing Member State, to maintain storage facilities and technical equipment on the territory of the latter State when the supplier complies with the conditions laid down in that regard by the law of the Member State in which its registered office is situated</p>
<p>Free movement of workers</p> <p>7.5.1986: 131/85 Gül v Regierungspräsident Düsseldorf¹</p>	<p>1. Article 11 of Regulation No 1612/68 must be interpreted as meaning that the right of the spouse of a worker entitled to move freely within the Community to take up any activity as an employed person carries with it the right to pursue occupations subject to a system of administrative authorization and to special legal provisions governing their exercise, such as the medical profession, if the spouse shows that he has the professional qualification and certificates required by the host Member State for the exercise of the occupation in question</p> <p>2. A person to whom Article 11 of Regulation No 1612/68 applies may rely on the first indent of Article 3(1) of that Regulation irrespective of his nationality</p> <p>3. The non-discriminatory treatment provided for in the first indent of Article 3(1) of Regulation No 1612/68 consists in the application to persons covered by that provision of the same laws, regulations, administrative provisions and</p>

Date and case	Held
<p>29.4.1986: 268/85 Bozdag v Stadt Backnang</p> <p>Equal treatment for men and women</p> <p>13.5.1986: 170/84 Bilka-Kaufhaus v Weber von Hartz¹</p>	<p>administrative practices as are applied to nationals of the host state</p> <p>4. A spouse of a worker who is a national of a Member State to whom Article 11 of Regulation No 1612/68 applies is entitled to be treated in the same way as a national of the host State with regard to access, as an employed person, to the medical profession and the practice of that profession whether his qualifications are recognized under the legislation of the host Member State alone or pursuant to Directive 75/363/EEC</p> <p>Ordered removed from the Court Register (interpretation of Article 12 of the EEC-Turkey Association Agreement and Article 36 of the Additional Protocol)</p>
<p>15.5.1986: 222/84 Johnston v Chief Constable of the Royal Uster Constabulary¹</p>	<p>1. Article 119 EEC is infringed by a department store company which excludes part-time employees from its occupational pension scheme, where that exclusion affects a far greater number of women than men, unless the company shows that the exclusion is based on objectively justified factors unrelated to any discrimination on grounds of sex</p> <p>2. Under Article 119 a department store company may justify the adoption of a pay policy excluding part-time workers, irrespective of their sex, from its occupational pension scheme by contending that it seeks to employ as few part-time workers as possible, where it is found that the means chosen for achieving that objective answer a real need on the part of the company, are appropriate with a view to achieving the objective in question and are necessary to that end</p> <p>3. Article 119 does not have the effect of requiring an employer to organize its occupational pension scheme in such a manner as to take into account the particular difficulties faced by persons with family responsibilities in meeting the conditions for entitlement to such a pension</p> <p>Directive 76/207/EEC concerning equal treatment for men and women (dismissal of a female police officer on the ground that only male officers would henceforth be allowed to carry firearms in Northern Ireland):</p> <p>1. Article 6 of the Directive (right to judicial remedy for alleged failure to observe the principle of equal treatment) may be relied upon by individuals as against a Member State in national courts</p> <p>2. The same applies to Article 2(1) (prohibition of sex discrimination) where the employer is a</p>

Date and case	Held
<p>Agriculture</p> <p>29.4.1986: 5, 13, 14, 16 and 21/66 Kampfmeyer and Others v Commission</p>	<p>State, in so far as a national derogation exceeds the scope of authorization under Article 2(2) (possible derogation where sex constitutes a determining factor for the occupational activity in question)</p> <p>3. Derogations may be made for reasons of public safety under Article 2(2) but not under Article 2(3) (protection of women), unless it is a risk specific to women and not a risk inherent in the work of any armed police officer</p> <p>Ordered removed from the Court Register (application for damages and legal costs)</p>
<p>External relations</p> <p>7.5.1986: 156/85 Procureur de la République v Société Perles Eurotool and Others¹.</p>	<p>The re-invoicing of goods originating in the territory of a Contracting Party to the Interim Agreement between the EEC and the Socialist Federal Republic of Yugoslavia on trade and trade cooperation, where the goods in question have remained under the surveillance of the customs authorities of a third country whilst in transit in that country, does not in itself constitute an entry into commerce or delivery for home use in the third country within the meaning of Article 5 of Protocol 2 concerning the definition of the concept of originating products and methods of administrative cooperation annexed to that Agreement</p>
<p>Commercial policy</p> <p>15.5.1986: 90/85 Handelsonderneming J. Mikx v Minister van Economische Zaken¹</p>	<p>Article 2(1) of Regulation No 3420/83, read together with Annex III thereto, CCT subheading 93.07 BII a), Nimexe codes (1983) 93.07-45 and 93.07-49 and the footnote pertaining thereto must be interpreted as meaning that the import restrictions on cartridges from Czechoslovakia cover all shot-cartridges which are suitable for hunting, even if they may also be used for target-shooting</p>
<p>Infringements</p> <p>29.4.1986: 11/85 Commission v Belgium</p> <p>29.4.1986: 100/85 Commission v Belgium</p> <p>29.4.1986: 101/85 Commission v Luxembourg</p>	<p>Ordered removed from the Court Register (inadequate incorporation into national law of Directive 78/687/EEC concerning dentists)</p> <p>Ordered removed from the Court Register (incomplete incorporation into national law of Directives 77/452/EEC and 77/453/EEC concerning the recognition of diplomas and the coordination of the activities of nurses)</p> <p>Ordered removed from the Court Register (ban on the import and sale of milk substitutes: Article 30 EEC)</p>

Date and case	Held
29.4.1986: 240/85 Commission v Ireland	Ordered removed from the Court Register (incorrect incorporation into national law of Council Directive 79/409/EEC: conservation of wild birds)
29.4.1986: 291/85 Commission v Greece	Ordered removed from the Court Register (failure to incorporate into national law Council Directive 78/319/EEC: toxic and dangerous waste)
29.4.1986: 292/85 Commission v Greece	Ordered removed from the Court Register (failure to incorporate into national law Council Directive 82/147/EEC: cosmetic products)
29.4.1986: 410/85 Commission v Italy	Ordered removed from the Court Register (failure to incorporate into national law Commission Directives 81/957/EEC and 82/232/EEC: dangerous substances)
29.4.1986: 357/85 Commission v Greece	Ordered removed from the Court Register (failure to notify State aid and lack of cooperation: export prices of pasta products)

Disputes between the Community and its staff

- 7.5.1986: 191/84 Barcella and Others v Commission² — The application is dismissed as inadmissible
 7.5.1986: 52/85 Rihoux and Others v Commission — The application is dismissed (annulment of the decision of a Selection Board not to admit the applicants to tests)
 6.5.1986: 41/86 Castelli v Commission — Ordered removed from the Court Register
 23.4.1986: 150/84 Bernardi v Parliament — The application is dismissed

¹ OJ C 145, 12.6.1986.

² OJ C 151, 17.6.1986.

Court of Auditors

2.4.17. The Council, having consulted Parliament, appointed Mr Richie Ryan to replace Mr Michael N. Murphy as a Member of the Court of Auditors, with effect from 18 May.¹

Following this appointment, the Court of Auditors decided to make the following changes to the allocation of responsibilities among Members of Audit Group 1:

Richie Ryan	Own resources 1 Customs duties and agricultural revenue
Joseph Subirats Piñana	Own resources 2 VAT resources, budget equilibrium, miscellaneous revenue

Charles J. Carey	EAGGF Guarantee Section 1 Budgetary management and control and general matters
Keld Brixtoffe	EAGGF Guarantee Section 2 Common organization of markets

Economic and Social Committee

237th plenary session

2.4.18. The Economic and Social Committee held its 237th plenary session on 21

¹ OJ L 131, 17.5.1986.

and 22 May with Mr Gerd Muhr in the chair. The first part of the session was devoted to the installation-in-office of the new Portuguese members.¹

The Committee adopted three own-initiative opinions on shared-cost research, the forthcoming round of GATT negotiations and renewal of the Multifibre Arrangement, and the effects of the common agricultural policy on employed farm workers in the Community.

It then adopted opinions on a number of Commission proposals, notably with regard to environment policy and the standstill on VAT, and a second opinion on the Commission's major communication on a common maritime transport policy.

Community shared-cost research, development and demonstration programmes

2.4.19. The Committee unanimously adopted an own-initiative opinion on Community shared-cost research. The opinion was based on the information report produced in 1985 by the energy and nuclear affairs section. The Committee commented on the progress made by the Commission in the field of shared-cost research since compilation of the information report began. It was pleased to note that, in general terms, the Commission's partners in shared-cost contracts were very keen to continue the experiment. It also noted, however, that certain firms and organizations were not taking part in shared-cost programmes because they feared administrative constraints or financial stringency or simply because they had not been given enough information on opportunities for participation. The Committee took the view that the Commission should be asked to act further to improve the methods used to maximize returns on Community funds used in the light of experience gained from implementation of various current projects, such as Esprit, Brite and RACE.

Forthcoming round of GATT negotiations and renewal of the Multifibre Arrangement

2.4.20. With three abstentions, the Committee adopted *nem. con.* an own-initiative opinion on the forthcoming round of GATT negotiations (→ point 2.2.1 *et seq.*) and renewal of the Multifibre Arrangement. The Committee considered that GATT should continue to be the framework within which the countries concerned negotiated, and it endeavoured to define what the Community's objectives should be for the forthcoming round of negotiations. First, they should consolidate the achievements of preceding rounds, particularly the Tokyo Round. This would determine the credibility of the new objectives to be set. The Committee stressed that the Council must give the Commission a negotiating brief which allowed it to confirm the role of the Community as a world trading entity.

As regards renewal of the Multifibre Arrangement, the Committee took the view that international trade in textiles and clothing could gradually become subject to normal GATT rules. At Community level, the current process to rationalize and adapt structures should, first, allow a certain movement towards liberalization in a spirit of general reciprocity compared with the current Arrangement and, second, justify the conclusion of a further Arrangement for a period of four to five years as well as bilateral agreements between the Community and the major suppliers among the developing countries. The Committee also considered that imports of textiles and clothing from least-developed countries should move towards full liberalization and no longer be subject to any form of quota system. Special arrangements should be negotiated with Bangladesh.

Lastly, the Committee felt that, in addition to making provisions for least-developed countries, the Community should make a distinction between newly industrialized countries already practising reciprocity

¹ OJ C 113, 13.5.1986.

(such as Singapore and Hong Kong, which impose no restrictions on textile imports), other newly industrialized countries (according to the openness of their markets) and other developing countries in determining the extent of liberalization of its imports.

Effects of the common agricultural policy on the social situation of employed farm workers in the Community

2.4.21. The Committee unanimously adopted an own-initiative opinion in which it pointed out that under Article 39 of the EEC Treaty the objective of the common agricultural policy was to improve the social situation of all persons engaged in agriculture. It regretted that despite the call made at the 1961 Rome Conference on the Social Aspects of the Common Agricultural Policy and consequential proposals made by the Commission in 1979, the Community had not yet acted to ensure that the criticism made at the time of a lack of documents available on the scale and range of a number of social problems affecting agricultural workers was no longer justified.

The Committee was basically of the opinion that a genuinely satisfactory common agricultural policy could only be implemented on the basis of reliable information. Nevertheless, it did not consider that the absence of a system of integrated information on the social situation of farm workers was sufficient reason for continuing to neglect the interests of workers during revisions of the common agricultural policy.

Standstill on VAT

2.4.22. The Committee adopted by a very large majority an opinion on the proposal for a Council Directive imposing a standstill on VAT and excise duties.¹ Although it felt that the proposal was too modest for the goal being pursued, the Committee approved the Commission's proposal in principle, while noting that its adoption

must not serve as an excuse for curbing or slowing down harmonization in the fields of VAT and excise duties. The Committee felt that the title of the proposal was inappropriate since the provisions on VAT did not constitute a 'standstill' but an optional procedure for bringing rates closer together. It also pointed to a number of problems not covered by provisions in the proposed Directive, notably the drawing-up of a list of goods and services subject to the various VAT rates in the Member States (including those zero-rated in some of them).

Cross-Channel fixed link

2.4.23. The Committee unanimously adopted an opinion on the proposal for a Council Directive on the harmonization of the laws of the Member States relating to turnover taxes—VAT rules applicable to the operation of a future cross-Channel fixed link.² It endorsed the proposal, which placed all forms of cross-Channel travel on an equal footing. The Committee called on the Commission to speed up work to end the discrepancies still to be found in respect of indirect taxation on passenger services in general.

Social security for employed persons

2.4.24. The Committee approved by a very large majority the proposal to amend Regulations (EEC) 1408/71 and 574/72 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community.³ It noted that it had already adopted an opinion⁴ on the amendments to these Regulations proposed by the Commission in August 1985.⁵ It welcomed the new proposal and attached particular importance to the amendments concerning application of social security

¹ OJ C 313, 4.12.1985; Bull. EC 11-1985, point 2.1.65.

² OJ C 358, 31.12.1985; Bull. EC 12-1985, point 2.1.84.

³ OJ C 103, 30.4.1986; Bull. EC 4-1985, point 2.1.70.

⁴ OJ C 344, 31.12.1985; Bull. EC 11-1985, point 2.5.27.

⁵ OJ C 240, 21.9.1985; Bull. EC 7/8-1985, point 2.1.97.

schemes to Community nationals employed or self-employed in two or more Member States at the same time. It recognized that these amendments were necessary to avoid the loss of legal rights to statutory benefits.

Valoren programme

2.4.25. The Committee unanimously adopted an opinion on the proposal for a Council Regulation instituting a Community programme for the development of certain less-favoured regions of the Community by exploiting indigenous energy potential (Valoren programme).¹ It underlined the programme's fundamental importance for the less-favoured regions concerned and felt that the experience gained could also benefit certain Third World countries. The Committee was pleased to note that the Commission had selected the exploitation of the indigenous energy potential of certain less-favoured regions as a priority in the management of resources under the new ERDF Regulation.

Protection of wild fauna and flora

2.4.26. The Committee unanimously adopted an opinion on the proposal to amend the Council Regulation on the implementation in the Community of the Convention on International Trade in Endangered Species of Wild Fauna and Flora.² It approved the Commission's proposal and the policy of creating conditions in Third World countries which would make it possible to replace arbitrary and environmentally damaging hunting by initiatives combining the protection of endangered species with opportunities, albeit marginal ones, for economic development. The Committee expressed the hope that similar measures could be adopted for other endangered species.

Protection of animals

2.4.27. The Committee unanimously adopted an opinion on the proposal for

a Council Directive on the protection of animals used for experimental and other scientific purposes.³ The proposal aimed to incorporate the guiding principles and main elements contained in the European Convention adopted by the 21 Member States of the Council of Europe on 31 May 1985 into the framework of Community legislation. It was important that the provisions of the Convention could be implemented in the Member States in such a way as to standardize the level of protection afforded to laboratory animals throughout the Community. The Committee felt that there was a moral dimension to animal experimentation. There must be strict grounds for justifying the use of animals and a balance must therefore be struck between the interests of science, industry, public health and animal health when determining the extent of their use. The Committee nevertheless called on the Commission to ensure that the provisions contained in the proposal did not have an adverse effect on the situation and growth of Community industry.

Environmental pollution by asbestos

2.4.28. By 94 votes to 48 with 8 abstentions, the Committee adopted an opinion on the proposal for a Council Directive on the prevention of environmental pollution by asbestos.⁴

While acknowledging the need for this specific Directive on asbestos in the environment, the Committee regretted that it failed to provide effective health protection for the population, which ought to be the central goal of any Community directive on this subject. It therefore felt that the Commission should advocate a phased prohibition of asbestos in conjunction with the mandatory use of substitutes. A deadline

¹ OJ C 358, 31.12.1985; Bull. EC 1-1986, point 2.1.82.

² OJ C 97, 25.4.1986; Bull. EC 3-1986, point 2.1.111.

³ OJ C 351, 31.12.1985; Bull. EC 12-1985, point 2.1.46.

⁴ OJ C 349, 31.12.1985; Bull. EC 11-1985, point 2.1.119.

should be set for a total ban on all use of asbestos.

Water quality objectives for chromium

2.4.29. The Committee unanimously adopted an opinion endorsing the proposal for a Council Directive on water quality objectives for chromium.¹ The Directive stems from another Directive on dangerous substances discharged into the aquatic environment. The Committee noted that the water quality objectives for chromium contained in the proposal were more stringent than those contained in the Directive concerning surface water intended for the abstraction of drinking water. It also noted that, despite the fact that chromium was necessary for the metabolism of glucose, implementation of the proposed Directive would not cause any ecological imbalance.

Maritime transport

2.4.30. The Committee adopted by a large majority a second opinion² on the Commission's communication and related proposals towards a common transport policy—maritime transport.³ In its first opinion, adopted in November, the Committee had given its views on four of these proposals.

In its second opinion, the Committee commented on the communication and two other proposals on which it had not yet expressed a view.

The Committee felt that if the Member States did not want to lose their economic independence and wanted to create jobs, they needed their own commercial fleets. It therefore also took the view that the Community should take steps to remedy its competitive disadvantages. To this end, the Community could, in particular, conclude cooperation agreements with non-member countries safeguarding access of vessels registered in the Member States to seaborne trade between the Member States and other countries.

The Committee also recommended a number of measures: modernization of the Community fleet should go hand in hand with a scrapping policy in order to prevent sub-standard vessels being resold on the second-hand market; State aid should be better coordinated at Community level and the Community should oppose national subsidies more firmly and openly when these threatened to increase excess capacity; the Commission should not look at the question of free registration solely in the context of bulk transport, since the problem was not limited to this sector; and lastly, maritime safety and prevention of pollution should be ensured through checks on vessels by the port State, this being a necessary adjunct to the exercise of flag jurisdiction. It was also felt that the Commission should give more attention to disparities between port duties.

New and renewable sources of energy

2.4.31. The Committee unanimously adopted an opinion on the communication from the Commission, coupled with a draft resolution, on a Community approach in the development of new and renewable sources of energy.⁴ It welcomed the continuation of the research, development and demonstration programmes for the introduction of new and renewable energy sources launched in 1974 and noted that the trend, increasingly marked since 1979, towards practical demonstration projects clearly showed a will to use these energy sources not as an excuse for inaction but as an instrument for increasing the security of the Community's energy supplies.

European Investment Bank

Operations in May

2.4.32. Loans announced by the European Investment Bank in May for investments

¹ OJ C 351, 31.12.1985; Bull. EC 12-1985, point 2.1.141.

² OJ C 344, 31.12.1985; Bull. EC 11-1985, point 2.5.23.

³ Supplement 5/85 — Bull. EC; OJ C 212, 23.8.1985; EC 4-1985, point 1.2.1 *et seq.*

⁴ OJ C 94, 22.4.1986; Bull. EC 1-1986, point 2.1.130.

within the Community totalled 304.8 million ECU,¹ broken down as follows: 156.8 million ECU in Italy, 50.9 million ECU in France, 39.7 million ECU in Portugal, 32.2 million ECU in Germany, 19.8 million ECU in Spain and 5.4 million ECU in the United Kingdom. Of the total amount, 19.8 million ECU was provided from the resources of the new Community borrowing and lending instrument (NCI).² Outside the Community, the Bank lent 260 000 ECU for a feasibility study in Montserrat under the Council Decision of 16 December 1980 providing for specific aid, in addition to that under the second Lomé Convention, to overseas countries and territories having specific links with Member States.

Community

Italy

2.4.33. LIT 231 600 million was granted altogether, including LIT 167 000 million for industry, LIT 48 900 million for infrastructure investments and LIT 15 000 million for energy projects.

For infrastructure investments, LIT 140 000 million granted in the form of global loans (credit lines) will be lent for small and medium-scale projects in industry and related services in the Mezzogiorno — LIT 75 000 million to Isveimer (Istituto per lo Sviluppo Economico dell'Italia Meridionale); LIT 40 000 million to IMI (Istituto Mobiliare Italiano); and LIT 25 000 million to Credito Industriale Sardo for projects mainly in Sardinia. A further loan of LIT 27 700 million was granted for investments involving the use of high technology to improve the competitiveness of European firms—LIT 22 700 million for the restructuring of a paper mill in Foggia and LIT 5 000 million for the installation of advanced-concept furnaces in two rolled-copper and copper alloy plants in Tuscany.

In the energy field, LIT 15 000 million was granted for the installation of equipment for the production of lead-free and low-lead petrol near Cagliari in Sardinia.

France

2.4.34. FF 340 million was lent in France for the laying of two submarine telephone cables to handle the increasing volume of traffic between Europe, the United States, the Middle East and South-East Asia. The first of the cables ('TAT 8') will run from New Jersey to Europe, ending at terminals in Brittany and Cornwall. The scheme will involve a number of Europe's national telecommunications authorities. A third of the capacity of the cable terminating in France will be reserved for the PTT, with the rest to be used by 13 other countries. It will be an optical fibre cable using digital signals and offering a higher degree of reliability than conventional cables. The overall length will be nearly 6 700 km, with a carrying capacity of 280 million bits per second in either direction, providing 7 560 telephone circuits. The second cable ('SEA-ME-WE') will come ashore in the Var and at Palermo, bringing signals from Asia and the Middle East. It stems from an agreement between 22 national authorities in Europe, Africa and Asia. The cable, the first to cross both the Red Sea and the Indian Ocean, will be of the conventional, coaxial type covering a total distance of nearly 13 500 km and offering a capacity of 2 580 circuits as far as Jeddah and 1 300 beyond.

Germany

2.4.35. Loans totalling DM 70 million were granted in Germany for the modernization of a thermal power station and the construction of a district heating system to improve the environment.

DM 50 million went towards modifying the Wuppertal-Elberfeld thermal power station so as to comply with new German legislation on the environment. Three individual heat and power generating units are to be

¹ The conversion rates at 27 March used by the EIB in statistics for the second quarter were 1 ECU = BFR 44.47, DKR 8.02, DM 2.17, DR 134.59, ESC 140.98, FF 6.68, HFL 2.45, IRL 0.72, LFR 44.47, LIT 1 477, PTA 136.39, UKL 0.63, USD 0.94.

² OJ L 298, 20.10.1978; Bull. EC 10-1979, point 2.1.10.

replaced with one single turbine group equipped with two steam generators and rated at a total of some 300 MW/h.

DM 20 million will help to fund construction of 10 km of a piping network between Dillingen and Saarlouis in the Saarland to carry heat to a district heating system and installation of local distribution networks.

Portugal

2.4.36. ESC 5 600 million was lent in Portugal, the first loans to the country since it joined the Community on 1 January. More than ESC 4 900 million was granted for small and medium-scale investment projects in industry, tourism, certain branches of the service sector, and for projects making for energy savings or improving environmental protection—ESC 21 200 million to the Banco Português de Investimento for small businesses and ESC 2 800 million to the State to be made available to all commercial banks and financial institutions in the country. This is the first EIB operation of this kind, the Bank having previously granted global loans to individual intermediary institutions. The Banco de Portugal will act as the agent of the State in coordinating this more flexible form of global loan. The intermediary institutions allocating the proceeds will be selected by the Central Bank and the EIB and will collaborate closely with investment banks and with the Instituto de Apoio às Pequenas e Médias Empresas Industriais. In this way the EIB hopes to increase still further financing for small and medium-scale investment projects in Portugal, extending and diversifying its collaboration with the banking system.

A loan of ESC 680 million was granted for the installation of new telephone links covering the whole of the country and a new telex exchange in Lisbon. The equipment comprises high-capacity digital transmission system (microwave radio links and optical-fibre cable systems) and a digital computer-controlled telex exchange with a total capacity of 8 000 lines. The systems,

which are planned to come into service in mid-1987, will help to cope with the rapidly growing demand for telecommunications facilities and to improve the quality of the service.

Spain

2.4.37. PTA 2 700 million was lent in Spain from NCI resources in the form of a global loan to the Banco de Crédito Agrícola (BCA), the country's leading bank for medium- and long-term agricultural loans. The BCA will onlend the funds for small-scale investments in activities such as packaging and canning of fruit and vegetables, production of vegetable oils and processing of forestry products. The investments are in line with the Spanish Government's policy to encourage more efficient agricultural production and marketing.

United Kingdom

2.4.38. UKL 3.4 million was lent in the United Kingdom for modernization of the aluminium industry in North-East England and Wales, regions with a high level of unemployment. The loan went to British Alcan Aluminium, the UK's largest aluminium company, for modernization of aluminium production in Northumberland and Gwent to increase the product range and quality and to improve production flexibility.

Outside the Community

2.4.39. The Bank granted 260 000 ECU in Montserrat, a UK dependent territory in the Caribbean, from the risk capital it administers and from European Development Fund resources. The loan was granted under the provisions for aid to overseas countries and territories which parallel the Lomé II provisions for aid to ACP countries and is to go towards a feasibility study into the possible use of wind power and observation work at a pilot plant, which may lead to the construction of other plants at suitable sites in the country, which is totally dependent on oil imports for its energy supplies.



PART THREE
DOCUMENTATION

1. ECU

Values in national currencies of one ECU

30 May 1986 ¹	
Belgian franc and Luxembourg franc (convertible)	44.0060
Belgian franc and Luxembourg franc (financial)	44.2718
Danish krone	7.97321
German mark	2.15578
Greek drachma	134.500
Portuguese escudo	143.687
French franc	6.86502
Dutch guilder	2.42292
Irish pound	0.709342
Italian lira	1 477.44
Spanish peseta	137.487
Pound sterling	0.629595
United States dollar	0.932430
Swiss franc	1.78579
Swedish krona	6.84870
Norwegian krone	7.26596
Canadian dollar	1.28554
Austrian schilling	15.1613
Finnish mark	4.95587
Japanese yen	161.683
Australian dollar	1.30082
New Zealand dollar	1.64886

¹ OJ C 133, 31.5.1985.

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

National currency	Value in national currency of one ECU	
	From 1 to 11 May 1986	From 12 May 1986
Belgian franc and Luxembourg franc	46.4118	47.3310 ⁸ 46.8712 ⁹ 46.4118 ³
Danish krone	8.41499	8.58163 ⁸ 8.54064 ⁹ 8.41499 ³
German mark	2.39792 ¹ 2.41047 ² 2.38516 ³	2.39792 ⁶ 2.41047 ² 2.38516 ³
Greek drachma	77.2479 ¹ 102.3451 ³	77.2479 ⁵ 116.673 ^{8,9} 102.345 ³
Portuguese escudo	150.355 ⁴	153.283 ¹⁰ 151.812 ⁹
French franc	7.00089 ³ 6.49211 ⁵ 7.10590 ⁶	6.49211 ⁵ 7.10590 ¹¹ 7.31248 ¹² 7.09967 ⁹ 7.20131 ¹³ 7.00089 ³
Dutch guilder	2.70178 ¹ 2.71620 ² 2.68749 ³	2.70178 ¹ 2.71620 ² 2.68749 ³
Irish pound	0.725690 ⁵ 0.750110 ³	0.725690 ⁵ 0.772618 ⁸ 0.761200 ⁹ 0.750110 ³
Italian lira	1 341.00 ⁵ 1 482.00 ³	1 341.00 ⁵ 1 554.00 ^{8,9} 1 482.00 ³
Spanish peseta	144.382 ⁷	147.208 ⁸ 145.796 ⁹ 144.382 ³
Pound sterling	0.618655	0.635626 ⁸ 0.626994 ⁹ 0.618655 ³

¹ For cereals and durum wheat.

² For milk and milk products.

³ For other products.

⁴ For sheepmeat, sugar, seeds, olive oil, oilseeds, dried fodder, peas and field beans, lupins, processed fruit and vegetables other than oranges and lemons, and fisheries.

⁵ For seeds.

⁶ For milk and milk products, pigmeat, and sheepmeat and goatmeat.

⁷ For all products other than fruit and vegetables.

⁸ For livestock products with marketing year beginning 1 April.

⁹ For crop products with marketing year beginning 1 April or 1 May.

¹⁰ For sheepmeat and goatmeat.

¹¹ For pigmeat and sheepmeat.

¹² For milk and milk products, and sheepmeat and goatmeat.

¹³ For beef/veal.

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 10-1985

Point 2.1.131

Commission Decision of 9 October 1985 on aids granted by the French Government to producers' organizations in the fisheries sector
OJ L 136, 23.5.1986

Bull. EC 12-1985

Point 2.1.25

Proposal for a Council Directive on the legal protection of original topographies of semiconductor products
OJ C 360, 31.12.1985

Point 2.1.69

Community framework for State aids for R&D
OJ C 83, 11.4.1986

Bull. EC 1-1986

Points 1.4.1 to 1.4.7

Proposal for a Council resolution on a better seasonal and geographical distribution of tourism

Proposal for a Council recommendation on standardized information on hotels

Bull. EC 5-1986

Proposal for a Council Decision establishing a consultation and coordination procedure in the field of tourism
OJ C 114, 14.5.1986

Point 2.1.66

Draft Council recommendations on the employment of disabled people in the European Community
OJ C 136, 4.6.1986

Bull. EC 2-1986

Point 2.1.17

Commission Decision No 1566/86/ECSC of 24 February 1986 on iron and steel statistics
OJ L 141, 28.5.1986

Point 2.1.102

Seventh Commission directive of 28 February 1986 adapting to technical progress Annexes II, III, IV and V to Council Directive 76/768/EEC on the approximation of the laws of the Member States relating to cosmetic products
OJ L 138, 24.5.1986

Point 2.1.151

The market for solid fuels in the Community in 1985 and the outlook for 1986
OJ C 117, 17.5.1986

Bull. EC 3-1986

Point 2.1.18

Amendment to the proposal for a Council Directive on the approximation of national measures relating to the placing on the market of high-technology medicinal products, particularly those derived from biotechnology

Amendment to the proposal for a Council Directive amending Directive 75/318/EEC on the approximation of the laws of the Member States

relating to analytical, pharmaco-toxicological and clinical standards and protocols in respect of the testing of proprietary medicinal products

Amendment to the proposal for a Council Directive amending Directive 81/852/EEC on the approximation of the laws of the Member States relating to analytical, pharmaco-toxicological and clinical standards and protocols in respect of the testing of veterinary medicinal products

Amendment to the proposal for a Council recommendation concerning tests relating to the placing on the market of proprietary medicinal products

OJ C 122, 22.5.1986

Point 2.1.64

Commission Decision of 21 March 1986 authorizing agreements made in relation to the activities of the Northern Ireland Coal Importers' Association (NICIA)

OJ L 115, 3.5.1986

Point 2.1.113

Eighth Commission Directive of 26 March 1986 adapting to technical progress Annexes II, IV and VI to Council Directive 76/768/EEC on the approximation of the laws of the Member States relating to cosmetic products

OJ L 149, 3.6.1986

Point 2.1.114

Amended proposal for a Council Directive amending Directive 79/581/EEC on consumer protection in respect of the indication of prices of food products

OJ C 103, 30.4.1986

Points 2.4.18 to 2.4.21

Opinions adopted by the Economic and Social Committee during its session on 13 and 14 March 1986

OJ C 118, 20.5.1986

Bull. EC 4-1986

Point 2.3.7

Decision of the European Parliament of 18 April 1986 granting a discharge to the Commission in respect of the implementation of Sections I (Parliament), II (Council), III (Commission), IV (Court of Justice) and V (Court of Auditors) of the budget of the European Communities for the financial year 1986

Resolution embodying the comments which form an integral part of the Decision granting a discharge in respect of the implementing of the budget of the European Communities for the financial year 1984

Decision of the European Parliament of 18 April 1986 granting a discharge to the Commission in respect of the financial management of the second and third European Development Funds for the financial year 1984

Decision of the European Parliament of 18 April 1986 granting a discharge to the Commission in respect of the financial management of the fourth European Development Fund for the financial year 1984

Decision of the European Parliament of 18 April 1986 granting a discharge to the Commission in respect of the financial management of the fifth European Development Fund for the financial year 1984

Resolution containing the remarks accompanying the Decisions granting a discharge in respect of the financial management of the second, third, fourth and fifth European Development Funds for the financial year 1984

OJ L 150, 4.6.1986

3. Infringement procedures

Reasoned opinions

3.3.1. The Commission delivered reasoned opinions in the following cases:

Customs union

Charge for presentation to customs of postal parcels (France).

Internal market and industrial affairs

Failure to inform the Commission of national measures to give effect to the Council Directive of 22 November 1982¹ amending for the second time (benzene) the Council Directive of 27 July 1976 on the approximation of the laws, regulations and administrative provisions of the Member States relating to restrictions on the marketing and use of certain dangerous substances and preparations² (Luxembourg, Netherlands, United Kingdom).

Failure to inform the Commission of national measures to give effect to the Council Directive of 31 March 1982 on the approximation of the laws of the Member States relating to methods of testing the biodegradability of non-ionic surfactants,³ amending the Council Directive of 22 November 1973⁴ (Italy).

Failure to inform the Commission of national measures to give effect to the Council Directive of 31 March 1982³ amending the Council Directive of 22 November 1973 on the approximation of the laws of the Member States relating to methods of testing the biodegradability of anionic surfactants⁴ (Italy).

Requirement of Greek nationality for the exercise of certain professions: advocate, architect, qualified engineer, surveyor, chemist, dentist, doctor (Greece).

Agriculture

Failure to inform the Commission of national measures to give effect to the Council Directive of 7 February 1983⁵ amending the Council Directive of 26 June 1964 on health problems affecting intra-Community trade in fresh meat⁶ (France)

Formalities required on export of horses (France)

Setting of milk price to producer (Italy)

Obstacles to import of wheat (withdrawal of import authorizations and insistence on re-export) (Greece).

Personnel and administration

Compulsory membership of German sickness insurance scheme for pensioners covered by the Joint sickness insurance scheme of the Communities (Germany).

Financial institutions and taxation

Failure to apply correctly the sixth 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 assessment⁷ (France).

¹ OJ L 339, 1.12.1982.

² OJ L 262, 27.9.1976.

³ OJ L 109, 22.4.1982.

⁴ OJ L 347, 17.12.1973.

⁵ OJ L 59, 5.3.1983.

⁶ OJ L 121, 29.7.1964.

⁷ OJ L 145, 13.6.1977.

4. Western Economic Summit

Declarations and statements by the seven Heads of State or Government and the representatives of the European Communities

Tokyo, 4 to 6 May 1986

Tokyo Economic Declaration

3.4.1. '1. We, the Heads of State or Government of seven major industrialized countries and the representatives of the European Community, meeting in Tokyo for the twelfth Economic Summit, have reviewed developments in the world economy since our meeting in Bonn a year ago, and have reaffirmed our continuing determination to work together to sustain and improve the prosperity and well-being of the peoples of our own countries, to support the developing countries in their efforts to promote their economic growth and prosperity, and to improve the functioning of the world monetary and trading systems.

2. Developments since our last meeting reflect the effectiveness of the policies to which we have committed ourselves at successive Economic Summits in recent years. The economies of the industrialized countries are now in their fourth year of expansion. In all our countries, the rate of inflation has been declining. With the continuing pursuit of prudent fiscal and monetary policies, this has permitted a substantial lowering of interest rates. There has been a significant shift in the pattern of exchange rates which better reflects fundamental economic conditions. For the industrialized countries, and indeed for the world economy, the recent decline in oil prices will help to sustain non-inflationary growth and to increase the volume of world trade, despite the difficulties which it creates for certain oil-producing countries. Overall, these developments offer brighter prospects for, and enhance confidence in, the future of the world economy.

3. However, the world economy still faces a number of difficult challenges which could impair sustainability of growth. Among these are high unemployment, large domestic and external imbalances, uncertainty about the future behaviour of exchange rates, persistent protectionist pressures, continuing difficulties of many developing countries and severe debt problems for some, and uncertainty about medium-term prospects for the levels of energy prices. If large imbalances and other distortions are allowed to persist for too long, they will present an increasing threat to

world economic growth and to the open multilateral trading system. We cannot afford to relax our efforts. In formulating our policies, we need to look to the medium and longer term, and to have regard to the interrelated and structural character of current problems.

4. We stress the need to implement effective structural adjustment policies in all countries across the whole range of economic activities to promote growth, employment and the integration of domestic economies into the world economy. Such policies include technological innovation, adaptation of industrial structure and expansion of trade and foreign direct investment.

5. In each of our own countries, it remains essential to maintain a firm control of public spending within an appropriate medium-term framework of fiscal and monetary policies. In some of our countries there continue to be excessive fiscal deficits which the governments concerned are resolved progressively to reduce.

6. Since our last meeting we have had some success in the creation of new jobs to meet additions to the labour force, but unemployment remains excessively high in many of our countries. Non-inflationary growth remains the biggest single contributor to the limitation and reduction of unemployment, but it needs to be reinforced by policies which encourage job creation, particularly in new and high-technology industries, and in small businesses.

7. At the same time, it is important that there should be close and continuous coordination of economic policy among the seven Summit countries. We welcome the recent examples of improved coordination among the Group of Five Finance Ministers and Central Bankers, which have helped to change the pattern of exchange rates and to lower interest rates on a orderly and non-inflationary basis. We agree, however, that additional measures should be taken to ensure that procedures for effective coordination of international economic policy are strengthened further. To this end, the Heads of State or Government:

(i) agree to form a new Group of Seven Finance Ministers, including Italy and Canada, which will work together more closely and more frequently in the periods between the annual Summit meetings;

(ii) request the seven Finance Ministers to review their individual economic objectives and forecasts collectively at least once a year, using the indicators specified below, with a particular view to examining their mutual compatibility;

with the representatives of the European Community:

(i) state that the purposes of improved coordination should explicitly include promoting non-inflationary economic growth, strengthening market-oriented incentives for employment and productive investment, opening the international trading and investment system, and fostering greater stability in exchange rates;

(ii) reaffirm the undertaking at the 1982 Versailles Summit¹ to cooperate with the IMF in strengthening multilateral surveillance, particularly among the countries whose currencies constitute the SDR, and request that, in conducting such surveillance and in conjunction with the Managing Director of the IMF, their individual economic forecasts should be reviewed, taking into account indicators such as GNP growth rates, inflation rates, interest rates, unemployment rates, fiscal deficit ratios, current account and trade balances, monetary growth rates, reserves, and exchange rates;

(iii) invite the Finance Ministers and Central Bankers in conducting multilateral surveillance to make their best efforts to reach an understanding on appropriate remedial measures whenever there are significant deviations from an intended course; and recommend that remedial efforts focus first and foremost on underlying policy fundamentals, while reaffirming the 1983 Williamsburg commitment to intervene in exchange markets when to do so would be helpful.

The Heads of State or Government:

(i) request the Group of Five Finance Ministers to include Canada and Italy in their meetings whenever the management or the improvement of the international monetary system and related economic policy measures are to be discussed and dealt with;

(ii) invite Finance Ministers to report progress at the next Economic Summit meeting.

These improvements in coordination should be accompanied by similar efforts within the Group of Ten.

8. The pursuit of these policies by the industrialized countries will help the developing countries in so far as it strengthens the world economy, creates conditions for lower interest rates, generates the possibility of increased financial flows to the developing countries, promotes transfer of technology and improves access to the markets of the industrialized countries. At the same time, developing countries, particularly debtor countries, can fit themselves to play a fuller part in the world economy by adopting effective structural adjustment policies, coupled with measures to mobilize domestic savings, to encourage the repatriation of capital, to improve the environment

for foreign investment, and to promote more open trading policies. In this connection, noting in particular the difficult situation facing those countries highly dependent on exports of primary commodities, we agree to continue to support their efforts for further processing of their products and for diversifying their economies, and to take account of their export needs in formulating our own trade and domestic policies.

9. Private financial flows will continue to play a major part in providing for their development needs. We reaffirm our willingness to maintain and, where appropriate, expand official financial flows, both bilateral and multilateral, to developing countries. In this connection, we attach great importance to an early and substantial eighth replenishment of the International Development Association (IDA) and to a general capital increase of the World Bank when appropriate. We look for progress in activating the Multilateral Investment Guarantee Agency.

10. We reaffirm the continued importance of the case-by-case approach to international debt problems. We welcome the progress made in developing the cooperative debt strategy, in particular building on the United States initiative. The role of the international financial institutions, including the multilateral development banks, will continue to be central, and we welcome moves for closer cooperation among these institutions, and particularly between the IMF and the World Bank. Sound adjustment programmes will also need resumed commercial bank lending, flexibility in rescheduling debt and appropriate access to export credits.

11. We welcome the improvement which has occurred in the food situation in Africa. Nonetheless a number of African countries continue to need emergency aid, and we stand ready to assist. More generally, we continue to recognize the high priority to be given to meeting the needs of Africa. Measures identified in the Report on Aid to Africa adopted and forwarded to us by our Foreign Ministers should be steadily implemented. Assistance should focus in particular on the medium- and long-term economic development of these countries. In this connection we attach great importance to continued cooperation through the Special Facility for Sub-Saharan African countries, early implementation of the newly established Structural Adjustment Facility of the IMF and the use of the IDA. We intend to participate actively in the forthcoming United Nations Special Session on Africa to lay the foundation for the region's long-term development.

¹ Bull. EC 6-1982, point 3.4.1.

12. The open multilateral trading system is one of the keys to the efficiency and expansion of the world economy. We reaffirm our commitment to halting and reversing protectionism, and to reducing and dismantling trade restrictions. We support the strengthening of the system and functioning of the GATT, its adaptation to new developments in world trade and to the international economic environment, and the bringing of new issues under international discipline. The New Round should, *inter alia*, address the issues of trade in services and trade-related aspects of intellectual property rights and foreign direct investment. Further liberalization of trade is, we believe, of no less importance for the developing countries than for ourselves, and we are fully committed to the preparatory process in the GATT with a view to the early launching of the New Round of multilateral trade negotiations. We shall work at the September Ministerial meeting to make decisive progress in this direction.

13. We note with concern that a situation of global structural surplus now exists for some important agricultural products, arising partly from technological improvements, partly from changes in the world market situation, and partly from long-standing policies of domestic subsidy and protection of agriculture in all our countries. This harms the economies of certain developing countries and is likely to aggravate the risk of wider protectionist pressures. This is a problem which we all share and can be dealt with only in cooperation with each other. We all recognize the importance of agriculture to the well-being of rural communities, but we are agreed that, when there are surpluses, action is needed to redirect policies and adjust structure of agricultural production in the light of world demand. We recognize the importance of understanding these issues and express our determination to give full support to the work of the OECD in this field.

14. Bearing in mind that the recent oil price decline owes much to the cooperative energy policies which we have pursued during the past decade, we recognize the need for continuity of policies for achieving long-term energy market stability and security of supply. We note that the current oil market situation enables countries which wish to do so to increase stock levels.

15. We reaffirm the importance of science and technology for the dynamic growth of the world economy and take note, with appreciation, of the final report of the Working Group on Technology, Growth and Employment. We welcome the progress made by the United States Manned Space Programme and the progress made by the autonomous work of the European Space Agency (ESA). We stress the importance for genuine partnership

and appropriate exchange of information, experience and technologies among the participating states. We also note with satisfaction the results of the Symposium on Neuroscience and Ethics, hosted by the Federal Republic of Germany, and we appreciate the decision of the Canadian Government to host the next meeting.

16. We reaffirm our responsibility, shared with other governments, to preserve the natural environment, and continue to attach importance to international cooperation in the effective prevention and control of pollution and natural resources management. In this regard, we take note of the work of the environmental experts on the improvement and harmonization of the techniques and practices of environmental measurement, and ask them to report as soon as possible. We also recognize the need to strengthen cooperation with developing countries in the area of the environment.

17. We have agreed to meet again in 1987 and have accepted the invitation of the President of the Council of the Italian Government to meet in Italy.'

Statement on the implications of the Chernobyl nuclear accident

3.4.2. '1. We, the Heads of State or Government of seven major industrial nations and the Representatives of the European Community, have discussed the implications of the accident at the Chernobyl nuclear power station. We express our deep sympathy for those affected. We remain ready to extend assistance, in particular medical and technical, as and when requested.

2. Nuclear power is and, properly managed, will continue to be an increasingly widely used source of energy. For each country the maintenance of safety and security is an international responsibility, and each country engaged in nuclear power generation bears full responsibility for the safety of the design, manufacture, operation and maintenance of its installations. Each of our countries meets exacting standards. Each country, furthermore, is responsible for prompt provision of detailed and complete information on nuclear emergencies and accidents, in particular those with potential transboundary consequences. Each of our countries accepts that responsibility, and we urge the Government of the Soviet Union, which did not do so in the case of Chernobyl, to provide urgently such information, as our and other countries have requested.

3. We note with satisfaction the Soviet Union's willingness to undertake discussions this week with the Director-General of the International Atomic

Energy Agency (IAEA). We expect that these discussions will lead to the Soviet Union's participation in the desired post-accident analysis.

4. We welcome and encourage the work of the IAEA in seeking to improve international cooperation on the safety of nuclear installations, the handling of nuclear accidents and their consequences, and the provision of mutual emergency assistance. Moving forward from the relevant IAEA guidelines, we urge the early elaboration of an international convention committing the parties to report and exchange information in the event of nuclear emergencies or accidents. This should be done with the least possible delay.'

Statement on international terrorism

3.4.3. '1. We, the Heads of State or Government of seven major democracies and the representatives of the European Community, assembled here in Tokyo, strongly reaffirm our condemnation of international terrorism in all its forms, of its accomplices and of those, including governments, who sponsor or support it. We abhor the increase in the level of such terrorism since our last meeting, and in particular its blatant and cynical use as an instrument of government policy. Terrorism has no justification. It spreads only by the use of contemptible means, ignoring the values of human life, freedom and dignity. It must be fought relentlessly and without compromise.

2. Recognizing that the continuing fight against terrorism is a task which the international community as a whole has to undertake, we pledge ourselves to make maximum efforts to fight against that scourge. Terrorism must be fought effectively through determined, tenacious, discreet and patient action combining national measures with international cooperation. Therefore, we urge all like-minded nations to collaborate with us, particularly in such international forums as the United Nations, the International Civil Aviation Organization and the International Maritime Organization, drawing on their expertise to improve and extend countermeasures against terrorism and those who sponsor or support it.

3. We, the Heads of State or Government, agree to intensify the exchange of information in relevant form on threats and potential threats emanating from terrorist activities and those who sponsor or support them, and on ways to prevent them.

4. We specify the following as measures open to any government concerned to deny to international terrorists the opportunity and the means to carry out their aims, and to identify and deter those who perpetrate such terrorism. We have decided to apply these measures within the framework of

international law and in our own jurisdictions in respect of any state which is clearly involved in sponsoring or supporting international terrorism, and in particular of Libya, until such time as the state concerned abandons its complicity in, or support for, such terrorism. These measures are:

- (i) refusal to export arms to States which sponsor or support terrorism;
- (ii) strict limits on the size of the diplomatic and consular missions and other official bodies abroad of States which engage in such activities, control of travel of members of such missions and bodies, and, where appropriate, radical reductions in, or even the closure of, such missions and bodies;
- (iii) denial of entry to all persons, including diplomatic personnel, who have been expelled or excluded from one of our States on suspicion of involvement in international terrorism or who have been convicted of such a terrorist offence;
- (iv) improved extradition procedures within due process of domestic law for bringing to trial those who have perpetrated such acts of terrorism;
- (v) stricter immigration and visa requirements and procedures in respect of nationals of States which sponsor or support terrorism;
- (vi) the closest possible bilateral and multilateral cooperation between police and security organizations and other relevant authorities in the fight against terrorism.

Each of us is committed to work in the appropriate international bodies to which we belong to ensure that similar measures are accepted and acted upon by as many other governments as possible.

5. We will maintain close cooperation in furthering the objectives of this statement and in considering further measures.

We agree to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation. We are ready to promote bilaterally and multilaterally further actions to be taken in international organizations or forums competent to fight against international terrorism in any of its forms.'

Tokyo declaration: Looking forward to a better future

3.4.4. '1. We, the Heads of State or Government of seven major industrial nations and the representatives of the European Community, with roots deep in the civilizations of Europe and Asia, have seized the opportunity of our meeting at Tokyo to raise our sights not just to the rest of this century but into the next as well. We face the future with confidence and determination, sharing

common principles and objectives and mindful of our strengths.

2. Our shared principles and objectives, reaffirmed at past Summits, are bearing fruit. Nations surrounding the Pacific are thriving dynamically through free exchange, building on their rich and varied heritages. The countries of Western Europe, the Community members in particular, are flourishing by raising their cooperation to new levels. The countries of North America, enriched by European and Asian cultures alike, are firm in their commitment to the realization in freedom of human potential.

Throughout the world we see the powerful appeal of democracy and growing recognition that personal initiative, individual creativity and social justice are main sources of progress. More than ever we have all to join our energies in the search for a safer and healthier, more civilized and prosperous, free and peaceful world. We believe that close partnership of Japan, North America and Europe will make a significant contribution toward this end.

3. We reaffirm our common dedication to preserving and strengthening peace, and as part of that effort, to building a more stable and constructive relationship between East and West. Each of us is ready to engage in cooperation in fields of common interest. Within existing alliances, each of us is resolved to maintain a strong and credible defence that can protect freedom and deter aggression, while not threatening the security of others.

We know that peace cannot be safeguarded by military strength alone. Each of us is committed to addressing East-West differences through high-level dialogue and negotiation. To that end, each of us supports balanced, substantial and verifiable

reductions in the level of arms; measures to increase confidence and reduce the risks of conflicts; and the peaceful resolution of disputes.

Recalling the agreement between the United States and the Soviet Union to accelerate work at Geneva, we appreciate the United States' negotiating efforts and call on the Soviet Union also to negotiate positively. In addition to these efforts, we shall work for improved respect for the rights of individuals throughout the world.

4. We proclaim our conviction that in today's world, characterized by ever-increasing interdependence, our countries cannot enjoy lasting stability and prosperity without stability and prosperity in the developing world and without the cooperation among us which can achieve these aims. We pledge ourselves afresh to fight against hunger, disease and poverty, so that developing nations can also play a full part in building a common, bright future.

5. We owe it to future generations to pass on a healthy environment and a culture rich in both spiritual and material values. We are resolved to pursue effective international action to eliminate the abuse of drugs. We proclaim our commitment to work together for a world which respects human beings in the diversity of their talents, beliefs, cultures and traditions.

In such a world based upon peace, freedom and democracy, the ideals of social justice can be realized and employment opportunities can be available for all. We must harness wisely the potential of science and technology, and enhance the benefits through cooperation and exchange.

We have a solemn responsibility so to educate the next generation as to endow them with the creativity befitting the twenty-first century and to convey to them the value of living in freedom and dignity.'



