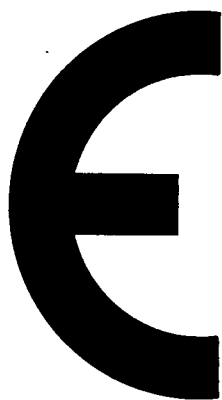


Bulletin

OF THE EUROPEAN COMMUNITIES

Commission



No 7/8 1986

Volume 19

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Bulletin

OF THE EUROPEAN COMMUNITIES

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* In preparation.



PART ONE

SPECIAL FEATURES

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References in text and footnotes

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

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

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

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

1. Resumption of 1986 budget procedure

Judgment of the Court of Justice

1.1.1. In Case 34/86 *Council, supported by the Federal Republic of Germany, the French Republic and the United Kingdom of Great Britain and Northern Ireland, v Parliament*,¹ an application for annulment relating to the legality of the general budget of the European Communities for 1986,² the Court of Justice delivered the following judgment on 3 July:³

‘The Court

hereby:

1. Declares void the act of the President of the European Parliament of 18 December 1985 whereby he declared that the budget for 1986 had been finally adopted (“Final adoption of the general budget of the European Communities for the financial year 1986”);
2. Declares that the annulment of the aforesaid act of the President of the European Parliament of 18 December 1985 may not call in question the validity of the payments made and the commitments entered into, in implementation of the budget for 1986 as published in the *Official Journal*, before the date of delivery of this judgment;⁴
3. Dismisses the remainder of the application;
4. Orders the parties, including the interveners, to bear their own costs.’

1.1.2. Parliament took the view that the main point to emerge from the Court’s judgment was that Parliament had now been declared free of any kind of subordination to the Council in budget matters and could no longer be dictated to. The Court had said that the budgetary procedure had to be brought to a close by agreement between Parliament and the Council, and ‘that agreement may not be inferred on the basis of the presumed intention of one or other of those institutions’. The Council could no longer maintain that the maximum rate of increase which it considered necessary had to be purely and simply accepted by the other arm of the budgetary authority. After a week of intensive discussion in the Council, in Parliament’s Committee on Budgets and between all three institutions (→ points 1.1.4 to 1.1.7), agreement was

promptly reached on the new maximum rate of increase, and put to the vote in Parliament (→ point 1.1.7).

Commission’s letter of amendment

1.1.3. On 3 July, immediately after the Court judgment, the Commission informed the budgetary authority that this exceptional situation arising halfway through the year had placed the Community in serious difficulties as regards both the implementation of the budget itself and the political consequences.

Besides the shortfall in appropriations in important sectors, the provisional arrangements which would have to be introduced would be insufficient to cover all the obligations of the 12-nation Community.

In these circumstances, the Commission felt that the budgetary authority should do everything it could to provide the Community with a budget for 1986 without delay—by the end of July at all events.

New requirements had arisen since the last stage of the budget procedure in December 1985⁵ and had to be incorporated in the budgetary procedure which was now to be continued. The Commission was therefore presenting a letter of amendment to cover additional requirements for 1986.⁶ The letter of amendment contains the requests for additional appropriations presented on 20 May in preliminary draft supplementary and amending budget No 1/86⁷ since this budget proposal had been overtaken as a result of the Court’s judgment.

¹ OJ C 63, 18.3.1986.

² OJ L 358, 31.12.1985; Bull. EC 12-1985, point 2.4.1.

³ The judgment will be analysed in detail in the quarterly review of cases in the ‘Court of Justice’ section of Bull. EC 10-1986.

⁴ Stipulation already made in the interim order of 17 March (Bull. EC 3-1986, point 2.3.1).

⁵ Bull. EC 12-1985, point 2.4.1.

⁶ COM(86) 360.

⁷ Bull. EC 4-1986, points 1.2.2 and 2.3.2.

It is accompanied by a Commission memorandum on differences in classification¹ and a number of tables showing the main financial implications of the various stages of the budget procedure already carried out.²

The Commission also underlined the importance to the Community of an early meeting of the Presidents of the three institutions (the dialogue) to conclude the budget procedure for the current year.

The Council's re-examination of the 1986 budget estimates

1.1.4. Consequent upon the Court judgment of 3 July, the Council resumed its examination of the 1986 budget estimates at its meeting of 7 and 8 July. Aware of the need to reach a speedy and balanced conclusion in conjunction with Parliament,

the Council agreed on the following estimates:

'The increase of the budgetary correction for the UK from 1 400 to 1 900 million ECU was also agreed.

Furthermore, the Council accepted in respect of the 1986 budget, but without prejudice to later years, the Commission's proposals in the letter of amendment on the classification of the eight disputed headings, on the basis that all disputed classifications will be discussed with Parliament and with the Commission in the course of the 1987 budget procedure.

Finally, the Council took note that in order to facilitate the financial integration of Spain and Portugal, the Commission will make payments within the year of 50% on commitments granted in 1986 in response to appropriate applications under the Regional Fund.

The results of the Council deliberations were transmitted immediately to Parliament.'

¹ COM(86) 390.

² COM(86) 400.

Table 1 — Outcome of Council meeting on budget (7 and 8 July)

	Letter of amendment		Council's decisions		Difference	
	Commitments ¹	Payments ¹	Commitments ¹	Payments ¹	Commitments ¹	Payments ¹
EAGGF Guarantee	21 927.3	21 927.3	22 112	22 112	+ 184.7	+ 184.7
EAGGF Guidance	974.12 ²	890.3 ³	884.12 ⁴	785.18 ⁵	- 90	- 105.12
Regional Fund	3 176.5	2 373	3 098	2 373	- 78.5	—
Social Fund	2 370.5	2 533	2 290	2 533	- 80.5	—
Other non-compulsory expenditure	3 865.95	3 385.43	3 654.9	3 264.73	- 211.05	- 120.7
Other compulsory expenditure	2 146.43	2 210.87	2 139.03	2 208.47	- 7.4	- 2.4
Refunds to Spain and Portugal	1 805.7	1 805.7	1 801.96	1 801.96	- 3.74	- 3.74
Total	36 266.5	35 125.6	35 980.01	35 078.34	- 286.49	- 47.26

¹ All figures rounded.

² Of which 401.45 million ECU in non-compulsory expenditure.

³ Of which 295.77 million ECU in non-compulsory expenditure.

⁴ Of which 396.45 million ECU in non-compulsory expenditure.

⁵ Of which 275.77 million ECU in non-compulsory expenditure.

1.1.5. During its deliberations on the 1986 draft budget on 9 and 10 July, the Council met a Parliament delegation led by Mr Jean-

Pierre Cot, Chairman of the Committee on Budgets, the other members being Sir James Scott-Hopkins and Mrs Carla Barbarella,

Vice-Chairman of the Committee, Mr Heinrich Aigner, Chairman of the Committee on Budgetary Control, Mr Efthimios Christodoulou, Rapporteur for the 1986 general budget, and Mr Pieter Dankert, Mrs Christiane Scrivener, Mr Thomas von der Vring, Mr Horst Langes, Mr Jean-Claude Pasty, Mr Olivier d'Ormesson and Mr Jens-Peter Bonde, Members of the Committee on Budgets.

'At the end of its deliberations, the Council indicated its willingness to agree new maximum rates of increase in commitment appropriations and payment appropriations with the European Parliament, in the light of the following increases in the budget estimates for 1986 as compared with the results of the Council meeting on 7 and 8 July:

	<i>million ECU</i>	
	Commitments	Payments
Compulsory expenditure	7 405	2 405
Non-compulsory expenditure	68 450	92 101
		...

Parliament's adoption of the 1986 budget

1.1.6. On 10 July Parliament adopted a new budget for 1986.¹ The changes compared with the decisions taken by Parliament on 12 December 1985 and the Council on 7 and 8 July (→ point 1.1.4) are shown in the table below.

¹ OJ C 227, 8.9.1986.

² OJ L 358, 31.12.1985; Bull. EC 12-1985, point 2.4.1.

	Changes in relation to Parliament's decisions of 12 December 1985		Changes in relation to the Council's decisions of 7 and 8 July 1986	
	Commitments	Payments	Commitments	Payments
EAGGF Guarantee	+ 1 100 000 000	+ 1 100 000 000	—	—
EAGGF Guidance	— 5 000 000	— 5 000 000	—	—
Regional Fund	— 78 500 000	+ 150 000 000	—	—
Social Fund	— 80 500 000	+ 500 000 000	—	—
Other non-compulsory expenditure ¹	—	— 31 000 000	+ 211 045 680	+ 89 696 180
Other compulsory expenditure	—	—	+ 7 405 200	+ 2 405 200
Total ²	+ 936 000 000	+ 1 714 000 000	+ 218 450 880	+ 92 101 380
Chapter 100 ³	— 150 000 000	—	— 150 000 000	—
Effect on total expenditure ²	+ 786 000 000	+ 1 714 000 000	+ 68 450 880	+ 92 101 380
Effect on revenue: entry of 1985 balance		+ 49 205 764		+ 49 205 764
increase in revenue from VAT and GNP-based contributions ²		+ 1 664 794 236		+ 42 895 616
Total ²		+ 1 714 000 000		+ 92 101 380

¹ The only reduction in relation to Parliament's decisions of 12 December 1985 is in Article B-581 (Financial support for transport infrastructure projects inside the Community). The increases in relation to the Council's decisions of 7 and 8 July confirm the vote of 12 December 1985, except in the case of the Article B-581 appropriations.

² Refunds to Spain and Portugal (Article 860) to be added.

³ Creation of a negative reserve for the transfer of commitment appropriations for non-compulsory expenditure not used by the end of the year.

The changes in the remarks adopted by Parliament in December 1985 are maintained.

1.1.7. By 357 votes to 27, with 21 abstentions, Parliament adopted a motion tabled by the Committee on Budgets reflecting the terms of the agreement worked out by the Council and a delegation from Parliament. It had previously rejected by 31 votes to 347, with 20 abstentions, a proposal tabled by Mr John Tomlinson (*Soc/UK*) to reject the draft budget.

The agreement that had been reached was welcomed by the rapporteur for the 1986 budget, Mr Efthimios Christodoulou (*EPP/GR*), by the Chairman of the Committee on Budgets, Mr Jean-Pierre Cot (*Soc/F*), by the President of the Council, Mr Peter Brooke, and by Mr Henning Christophersen, the Commission Vice-President with special responsibility for the budget. Virtually the entire House paid tribute to its President, Mr Pierre Pflimlin, for his bold decision to sign the budget last December. It may well have been a controversial step to take—though it had been challenged mainly on formal grounds, as Mr Cot affirmed more than once—but it had enabled the Community to operate normally for the first few months of the year and had helped to procure a proper budget in the end. During the explanations of vote Mr Cot spoke for the overwhelming majority of members when he asserted that Mr Pflimlin had been right to declare the budget adopted in December since the end result had been an even bigger budget.

Compared with 1985, non-compulsory expenditure in the 1986 budget has increased by 15.54% in appropriations for commitments and by 39.18% in appropriations for payments.

Because of the correction of the budgetary imbalance in favour of the United Kingdom, the VAT rate is 1.3999%. The rate for the United Kingdom is 0.6766% and for Germany 1.3370%. Without the correction of the budgetary imbalance, the VAT rate applicable to all the Member States with the exception of Portugal, which pays a financial contribution, would be 1.2505%.

On 10 July Mr Pflimlin, the President of Parliament, declared that the budgetary procedure laid down in the Treaties had been completed and that the 1986 budget was now finally adopted. The changes made to the December 1985 version of the budget¹ were set out in an annex to the act containing the President's declaration.² The major components of the 1986 general budget (totalling 36 052 million ECU in appropriations for commitments and 35 174 million ECU in appropriations for payments) are set out in Table 2.

1.1.8. At a joint press conference Mr Brooke, the President of the Council, read out a statement which he had prepared with Mr Pflimlin, the President of Parliament:

'By common agreement, we have given the Community a budget for 1986 only one week after the Court of Justice delivered a judgment calling on the budgetary authority to complete its task.

This outcome reflects the considerable spirit of compromise displayed by each of the two arms of the budgetary authority.

We would also thank the Commission for all it has done to bring about an agreement.

The fact that the 1986 budget problems have been resolved in this way shows that the two arms of the budgetary authority can act together effectively in the general interest of the Community.'

¹ OJ L 358, 31.12.1985; Bull. EC 12-1985, point 2.4.1.

² OJ L 214, 4.8.1986.

2. New framework programme of Community activities in the field of research and technological development (1987-91)

Commission proposal

1.2.1. On 1 August the Commission sent the Council a proposal for a Regulation on the new framework programme of Community activities in the field of research and technological development (1987-91).¹ The proposal was drawn up in the light of discussions at two Council meetings² and after extensive consultation with the institutions and industrial and scientific circles involved concerning the guidelines for a new framework programme sent by the Commission to the Council last March.³

The framework programme is to be the instrument for carrying out selective Community action in the R&TD field — an area in which Community intervention is particularly justified when:

(i) it serves to affirm and defend the European model, in which the dialogue between the two sides of industry, living and working conditions and environmental concern are of special importance; this is why the Commission is proposing that R&TD be exploited to enhance social development through the pursuit of *ad hoc* objectives (health, nuclear safety, working conditions, training and, more generally, the environment);

(ii) it is directly linked with the establishment of a larger economic area geared more to competition; since the R&TD component has a determining effect on both market size and business performance, it is important to expand the common technological base (the humus of technology, as it were) that will enable European firms to thrive in order to make the vital qualitative leap forward and develop new and lasting markets;

(iii) it contributes to the harmonious development of the Member States and the regions by drawing, to the advantage of all concerned, on the high-quality scientific and technical infrastructure of each of them;

(iv) it provides the opportunity for building on the skills and knowledge that the Community is acknowledged to have accumulated already; in programmes such as Esprit and Brite and the thermonuclear fusion programmes, the Community has shown that it is capable of:

(a) organizing the synergy of human and material resources, effort, skills and disciplines;

(b) creating the critical mass required to perform certain types of research;

(c) initiating cross-frontier collaboration between those engaged in research and between them and the users of research.

The eight activities selected by the Commission for inclusion in the framework programme have been chosen in the light of these four major concerns.

Eight activities

1.2.2. Eight activities concerning R&TD, mainly in the precompetitive and prenormative stages, have been chosen by the Commission for inclusion in this programme.

(i) As regards quality of life, the Commission proposes that the Community effort be concentrated on health (development of preventive medicine and early diagnosis, consequences of ageing, and research into cancer and AIDS) and the environment (formulation of preventive policies so as to strike a balance between economic development, protection of the material environment and safety of installations and the general public).

(ii) The competitiveness of two thirds of the economy and the jobs of 55% of the working population depend on information

¹ COM(86) 430 final.

² Bull. EC 6-1986, point 2.1.46; Bull. EC 4-1986, point 2.1.25.

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

technology, and the Commission wishes to speed up development of microelectronics and peripheral technologies, data-processing systems and applications technologies, along with the relevant standardization work.

(iii) The large market will not be able to function without advanced telecommunications and the associated new services and transmission facilities. The Commission is therefore proposing the accelerated introduction of broadband networks during the 1990s and the combination and integration of telecommunications, information and broadcasting technologies into new services (in the fields of education, health care, etc.).

(iv) The application of new technologies to the modernization of traditional industrial sectors — generating a substantial proportion of GDP — is intended to perform a 'technology transfusion' on industries which have hitherto been slow to modernize (textiles, footwear, building, motor vehicles, mechanical engineering). The Commission is laying particular stress on advanced design and manufacturing techniques (extension of the Brite programme), advanced materials, techniques for exploiting raw materials, and standards.

(v) The continuation and updating of activities in the energy sector concerns fission (reactor safety, radioactive-waste management, safeguarding of fissile materials), thermonuclear fusion (JET, NET), non-nuclear energies and the rational use of energy.

(vi) The Commission plans to use biotechnology, a new focal point for technology, as a tool to promote agro-industrial development (non-food uses of agricultural products) and new processes and products in the chemical, pharmaceutical and food industries. The Commission will be monitoring the social and ethical implications of these developments.

(vii) The exploitation of the seabed and use of marine resources is of particular importance to many regions of the Community. Community activities in this totally new area aim at concentrating efforts on

the development of the scientific and technological base that is necessary for the exploitation, management and protection of marine mineral and food resources.

(viii) The achievement of a Europe for research workers must be accelerated in particular by specific activities aimed at promoting the mobility of research scientists, increasing cross-frontier and interdisciplinary cooperation and making better use of large facilities.

The choice of these eight activities reflects the fact that technological cooperation is developing similarly and simultaneously in other contexts — principally Eureka, with which there are vital complementary links, but also intergovernmental bodies such as the European Organization for Nuclear Research (CERN) and the European Space Agency (ESA).

Implementing procedures

1.2.3. Community action will essentially take the form of specific programmes. In addition, the Commission is proposing other ways of implementing the framework programme, such as supplementary programmes involving interested Member States only, or participation arrangements involving the Community in projects or programmes of purely national scope or carried out by other European or international organizations. Certain specific programmes could take place by way of structures such as the 'joint undertaking' (as in the case of JET) or agencies.

With the framework programme, the Community is aiming for efficiency, transparency and compatibility with national policies and other activities conducted at international level. For the execution of its policy, it is relying on a simple and flexible scheme consisting of:

- (i) direct projects, wholly financed from the Community budget and carried out at the Joint Research Centre;
- (ii) shared-cost projects, financed partly by the Community and partly by the scientific and industrial participants themselves;

(iii) concerted-action projects, under which certain national research activities are coordinated by the Commission.

This system is to operate for the benefit of its users, with whom the Commission will endeavour to maintain excellent relations. It is designed to give industry and research scientists a better appreciation of the Community as a framework for cooperation in comparison with other forms of cooperation, and it offers them a guarantee of medium-term continuity. Businessmen and scientists do need a clear and straightforward system.

Bearing this in mind, and anxious as it is to work more efficiently, the Commission has already taken steps to review its administrative, legislative and financial arrangements, with a view to simpler, faster and more transparent programme management. Two important items are the reduction of contractual requirements, especially as regards the frequency of reports, and a speeding-up of payments to contractors.

Participation of small business

1.2.4. The Commission's proposal puts special emphasis on the benefit that small and medium-sized firms should derive from the research programmes. They are already playing a significant part in programmes such as Brite (in which 30% of the participants are small firms) and Esprit (in which half of the projects involve at least one small firm). The Commission plans to use various means to encourage even greater participation by small businesses, whose drive and adaptability are as yet insufficiently exploited in Europe.

An outward-looking technology Community

1.2.5. The Community intends to develop closer relations with other agencies on the European technological scene: principally

Eureka but also intergovernmental bodies such as the European Space Agency, the European Science Foundation¹ and the Council of Europe. Furthermore, the Community must step up international cooperation both with its industrialized partners, notably in EFTA, and with developing countries.

Financing

1.2.6. The Commission estimates that the implementation of the new framework programme will cost 7 735 million ECU for the period 1987-91.

In order to adapt to R&D requirements and to the changing financial situation, the Commission proposes a mid-term review of this amount. In addition to these funds from the Community budget, the Commission intends to draw upon new forms of financing such as Eurotech Capital (funds of purely private origin) and Eurotech Insur (a guarantee mechanism backed by a Community contribution). Finally, the growing recognition by industry of the advantages of cooperation and the limitations of the Community budget could lead the Commission to consider reviewing and supplementing the existing procedures for the financing of shared-cost projects:

- (i) by making provision, in addition to financial contributions, for repayable advances;
- (ii) by varying the amount of the financial contributions and advances, say between 20 and 80% of the total cost of the projects, according to criteria relating to the size of the partners, the extent to which the project is precompetitive, the nature of the expenditure, or the progress of the research.

¹ The European Science Foundation, based in Strasbourg, is a non-governmental organization made up of science academies and research councils responsible for financing scientific research at national level; it is largely publicly funded.

3. Commission action programme for small and medium-sized enterprises

1.3.1. On 8 August the Commission transmitted to the Council an action programme for small and medium-sized enterprises accompanied by a draft resolution.¹ This initiative is in keeping with the approach adopted by the European Council, which since March 1985 has emphasized the need to promote small businesses as part of a growth and employment strategy.²

Community action with regard to small businesses

1.3.2. The Community institutions have long recognized the important contribution which small businesses can make to growth and especially the sort of growth which creates more jobs. They have therefore already undertaken a series of initiatives designed to help small businesses (European Small Business Year,³ Commission communication of 29 May 1984 on Community policy with regard to SMEs and craft industry,⁴ Parliament resolution of 24 May 1984⁵).

At the beginning of 1986, on the basis of instructions given by the European Council, the Commission decided to step up its endeavours in this area. It gave one of its members, Mr Abel Matutes, specific responsibility for small businesses,⁶ set up a working party of Commissioners to define a strategy for future work concerning small businesses and established a small administrative unit known as the Small Business Task Force to coordinate activities concerning small businesses, to promote the convergence of national and Community policies, to establish a framework for contact and dialogue with the organizations representing small businesses and to help establish at European level machinery capable of providing solutions to the practical problems of small businesses.

Problems and needs of small businesses

1.3.3. The many studies carried out have brought to light, despite the diversity of national situations, three chief needs:

(i) the need for an administrative environment which is sufficiently simple and open as not to handicap firms in terms of costs and profitability;

(ii) improved availability of capital for small businesses to enable rapid introduction of new technologies into production processes; and

(iii) preservation of flexibility as a basic factor in adapting to demand and to the competitive challenges of the market; in particular, this requires information for firms to be quick and effective and the training of businessmen to be tailored to the special needs of small businesses.

The action programme proposed by the Commission

1.3.4. An analysis of these requirements has guided the Commission in the formulation of the objectives for the proposed action by the Community, which is designed to:

(i) contribute to the creation of a favourable environment for small businesses within the Community's internal market; this concerns both the administrative and regulatory, as well as the cultural and social, climate; and

(ii) make a positive contribution to the needs of small businesses in terms of flexibility and the provision of capital; this second major objective addresses both the

¹ COM(86) 445 final.

² Bull. EC 3-1985, point 1.2.3; Bull. EC 11-1985 (Conclusions of the Presidency on the economic and social situation); Bull. EC 6-1986, point 1.1.4.

³ Sixteenth General Report, point 188; Bull. EC 1-1983, point 2.1.11; Bull. EC 9-1983, point 2.1.13; Bull. EC 10-1983, point 2.1.20; Bull. EC 11-1983, point 2.1.15; Bull. EC 12-1983, point 2.1.11.

⁴ Bull. EC 5-1984, point 2.1.18.

⁵ OJ C 172, 2.7.1984; Bull. EC 5-1984, point 2.4.15.

⁶ Bull. EC 12-1985, points 1.3.1 and 1.3.2.

problem of the creation of firms and the development of existing small businesses.

The action programme falls into two parts, each serving one of the two major objectives of action by the Community.

Providing a favourable environment for small businesses

1.3.5. Community action to provide a favourable environment for small businesses will cover all factors — institutional, administrative, legal and social — which determine how firms operate. It will consist of positive measures to promote the spirit of enterprise and steps to adapt the general provisions so as to render the regulatory framework in which business operates less of a burden, and to compensate for the handicaps inherent in small size. This part of the action programme is in seven sections.

Promoting the spirit of enterprise

1.3.6. The Community should help to bring about a change in attitude by means of specific measures and by explicitly bringing the concerns of small businesses into its general measures. The Commission is proposing in particular a project to promote the spirit of enterprise among young people and promote self-employment, possibly via European training programmes in schools.

Improving the administrative environment

1.3.7. The Commission has already made a first positive move by adopting the principle that every Commission proposal for legislation sent to the Council must be accompanied by an assessment of its impact on businesses, especially small businesses.¹ The Commission is also engaged in ascertaining the obligations imposed upon small businesses by the Community legislation in force, analysing the costs and benefits for firms. The Commission will draw conclusions from this appraisal and make proposals, where necessary, for more flexible solutions.

Completion of the internal market with a view to helping small businesses

1.3.8. Just as the removal of red tape and of regulatory barriers is of special importance to small businesses, so too is completing the internal market. Among the objectives, mention should be made of the removal of physical barriers, flexibility and transparency in the harmonization of technical standards — here the Commission will endeavour to be more systematic in issuing information — and real access to public procurement contracts for small businesses. In preparation for a specific programme on the last point, it is planned to make an inventory in the near future of national experience, including experience in Japan and North America.

Adapting company law

1.3.9. The Community will continue to provide special treatment for small businesses in the context of European company law. In particular, in 1988 there will be a further review of the criteria for derogations for small businesses in the accountancy directives. In addition, the Commission will run a publicity campaign concerning the Regulation on the European Economic Interest Grouping,² a legal instrument aimed at encouraging cooperation between small businesses in different Member States.

A sound competitive structure

1.3.10. The Commission will take steps to ensure that the activities of small businesses are not hindered as a result of compliance with the Community rules on competition. The Commission communication on agreements of minor importance which are not subject to Article 85 was revised recently along lines even more favourable to small businesses.³ In addition, the Commission has made it clear since 1979, by means of a

¹ Bull. EC 5-1985, point 2.1.21.

² OJ L 199, 31.7.1985; Bull. EC 7/8-1985, point 2.1.20.

³ The content of this communication will be discussed in the next issue of the Bulletin.

general communication directed at small businesses in particular, that subcontracting agreements do not normally fall within the scope of Article 85.

The tax environment

1.3.11. Some of the proposals on tax matters already presented by the Commission are of direct relevance to small businesses (e.g. the proposal for a Directive on setting up an arbitration procedure to eliminate double taxation affecting associated enterprises,¹ the proposal for a Directive on tax arrangements for the carryover of losses²). The Commission has also recently made a proposal concerning simplified procedures for levying VAT and a more realistic exemption arrangement which was adopted at the same time as the small business action programme (→ point 2.1.89).

Improving the social environment of small businesses; the role of cooperatives

1.3.12. The Commission wants the European organizations representing small businesses to be involved in the social dialogue. In addition, the Commission will endeavour to draw on their wealth of experience for the purpose of implementing policy with regard to small businesses. It will also examine possible ways of creating a more favourable framework for producer and service cooperatives.

Flexibility and the provision of capital as a basis for the creation and development of small businesses

1.3.13. This part of the programme is designed to respond directly to the specific needs of small businesses by giving priority to schemes concerning the provision of capital for small businesses and achievement of a high degree of adaptability. There is immense scope for such schemes, as experience in the Member States shows. The option proposed by the Commission is to develop a series of projects that can easily

be integrated into existing Community and national programmes; it is therefore mainly a question of projects which introduce a specific small business component into Community activities already in progress, to which certain specific aspects should be added.

Training

1.3.14. The intention is to take account of the inherent characteristics of small businesses in the national and Community training programmes, in particular through the resources of the European Social Fund, and with technical assistance from the European Centre for the Development of Vocational Training. With regard to management training, the Commission will organize a network of training institutes dealing with the specific problems of training managers of small businesses.

Information

1.3.15. The intention here is to provide information *for* small businesses as well as *about* small businesses. Given the vast range of information on Community activities concerning small businesses, the Commission wishes to develop the concept of 'one-stop offices', or information centres, liaising between small businesses and the Community authorities. The Commission also proposes to improve the statistical machinery for the collection of information on small businesses.

Exports

1.3.16. A series of *ad hoc* measures are proposed in order to facilitate the access of small businesses to markets in non-member countries (pilot export-training projects for small businesses, courses and awards for small businessmen, group participation in trade fairs, cooperation between bodies

¹ OJ C 301, 21.12.1976; Bull. EC 11-1976, point 2.1.27.

² OJ C 253, 20.9.1984; Bull. EC 9-1984, point 2.1.41.

concerned with the promotion of small businesses on external markets, etc.).

Establishment of firms and innovation

1.3.17. The purpose of this project is to support efforts to establish new firms and to facilitate access to new technologies by means of initiatives such as:

- (i) the organization of a European conference on the establishment of firms and the setting-up of a European association for promoting the establishment of firms in order to coordinate action in this area;
- (ii) extension and integration of European business and innovation centres; and
- (iii) the development of contacts between universities and firms.

Inter-firm and inter-regional cooperation

1.3.18. The objective is to assist the creation of a regional and local framework


favouring the development of small businesses and to facilitate their relations with large firms, in particular by:

- (i) establishing the computerized European Business Cooperation Network (BC-Net); and
- (ii) generalizing projects to further internally generated regional development (joint services, reception areas, service centres, etc.).

Provision of capital

1.3.19. The objective of this aspect of Community endeavour is to facilitate the access of small businesses to finance. To this end, wider use should be made of 'global' loans in the context of the Community institutions' lending activities, and venture capital operations should be stepped up. The Commission has already put forward proposals concerning lending activities (NCI IV)¹ and is in the process of consulting interested parties where financial engineering operations are concerned.

¹ OJ C 163, 3.7.1985; Bull. EC 5-1985, point 2.1.3.

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PART TWO

ACTIVITIES
IN JULY/AUGUST 1986

1. Building the Community

Economic and monetary policy

Council

2.1.1. At its economic and financial affairs meeting on 7 July the Council took note of the judgment delivered by the Court of Justice relating to the 1986 budget (→ point 1.1.1). It also agreed that the reference framework limits for 1986 could be raised and invited the Budget Ministers to determine the new figures subject to (i) a limitation on the increase in agricultural spending in 1986 to amounts which could be justified mainly by the exceptional circumstance of the abnormally large depreciation of the dollar and (ii) an examination of the scope for economies in all areas of expenditure. The Council noted that the 1987 reference framework for non-compulsory expenditure set at its meeting on 28 April¹ would need to be raised to a level 8.1% above the level of appropriations finally agreed for 1986. It stressed the need to keep the increase in commitments and commitment appropriations for the structural Funds below the rate of growth of payment appropriations, while taking full account of the undertakings given to Spain and Portugal. It also pointed out that the reference framework for 1986 acknowledged the existence of a problem linked to the cost of the past.

The Council went on to conduct its second-quarter examination of the economic situation in the Community (→ point 2.1.2).

Economic situation

2.1.2. Acting on the basis of a Commission communication on the economic outlook for 1987 and the Member States' budgetary policy,² the Council conducted its second-quarter examination of the economic situation in the Community, in accordance with its Decision of 18 February 1974 on the attainment of a high degree of

convergence of the economic policies of the Member States.³

The Council endorsed the Commission's assessment that there was no need at present to adjust the economic policy guidelines for 1986 as adopted on 9 December 1985.⁴ It also took note of the quantitative guidelines for Member States' national budgets in 1986 recommended by the Commission in its communication.²

2.1.3. At its July session the Economic and Social Committee delivered an own-initiative opinion on the economic situation in the Community in mid-1986 (→ point 2.4.36).

European Monetary System

Realignment of 2 August

2.1.4. In August there was a further realignment of central rates within the EMS,⁵ in response to the persistent weakness of the Irish pound. The details were set out in the following communiqué:

'On 2 August 1986 the Ministers and Central Bank Governors of EEC member countries decided by mutual agreement, in a common procedure involving the Commission and on the basis of a proposal from the Monetary Committee, on an adjustment of central rates within the EMS whereby the Irish pound was adjusted downward by 8% *vis-à-vis* all other participating currencies.

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

¹ Bull. EC 4-1986, point 2.3.6.

² Bull. EC 6-1986, point 2.1.3.

³ OJ L 63, 5.3.1974.

⁴ OJ L 377, 31.12.1985; Bull. EC 10-1985, point 1.3.1 *et seq.*

⁵ Previous realignment: Bull. EC 4-1986, point 2.1.2.

BFR	43.1139
DKR	7.81701
DM	2.11083
DR ¹	(137.049)
FF	6.87316
HFL	2.37833
IRL	0.764976
LFR	43.1139
LIT	1476.95
UKL ¹	(0.679256). ²

The new parity grid of bilateral central rates and compulsory intervention rates as at 4 August is as follows:

¹ Sterling and the drachma do not participate in the EMS exchange-rate mechanism. Their notional ECU central rates are UKL 0.679256 and DR 137.049; Bull. EC 5-1983, point 2.1.8; Bull. EC 9-1984, point 2.1.4; Bull. EC 6-1985, point 2.1.7.

Table 3 — Central rates of EMS currencies
(parity grid applicable from 4 August 1986)

		Amsterdam (HFL)	Brussels (BFR/LFR)	Frankfurt (DM)	Copenhagen (DKR)	Dublin (IRL)	Paris (FF)	Rome (LIT)
100 HFL	+ 2.25 % central rate	100	1 854.05	90.770	336.16	32.8940	295.57	65 941.0
	- 2.25 %		1 812.78	88.7526	328.676	32.1644	288.991	62 100.2
			1 772.45	86.780	321.36	31.4465	282.56	58 480.0
100 BFR/ LFR	+ 2.25 % central rate	5.6420	100	5.007	18.543	1.81470	16.3045	3 637.4
	- 2.25 %	5.51640		4.8959	18.1312	1.77431	15.9419	3 425.7
		5.3935		4.787	17.727	1.73480	15.5870	3 226.3
100 DM	+ 2.25 % central rate	115.235	2 089.00	100	378.76	37.0644	333.03	74 295.0
	- 2.25 %	112.673	2 042.52		370.332	36.2405	325.617	69 970.6
		110.1675	1 997.20		362.09	35.4358	318.37	65 898.0
100 DKR	+ 2.25 % central rate	31.1175	564.10	27.615	100	10.0087	89.925	20 062.0
	- 2.25 %	30.4251	551.536	27.0028		9.78604	87.9257	18 894.0
		29.7475	539.30	26.400		9.56830	85.97	17 794.0
1 IRL	+ 2.25 % central rate	3.180	57.6420	2.8220	10.4511	1	9.1890	2 050.03
	- 2.25 %	3.10903	56.3598	2.75934	10.2186		8.98480	1 930.71
		3.040	55.1060	2.6980	9.9913		8.7850	1 818.34
100 FF	+ 2.25 % central rate	35.39	641.55	31.410	116.32	11.3830	100	22 817.0
	- 2.25 %	34.6032	627.278	30.7109	113.732	11.1299		21 488.6
		33.8325	613.35	30.030	111.20	10.8825		20 238.0
1 000 LIT	+ 6 % central rate	1.710	31.0	1.5175	5.620	0.549952	4.9410	1 000
	- 6 %	1.61030	29.1912	1.42917	5.29268	0.517943	4.65362	
		1.5165	27.490	1.3460	4.985	0.487799	4.3830	
1 ECU	central rate	2.37833	43.1139	2.11083	7.81701	0.764976	6.87316	1 476.95

Monetary Committee

2.1.5. The Monetary Committee held its 325th meeting in Brussels on 18 July, with Mr Tietmeyer in the chair. The main items on the agenda were a proposal for a Council Directive on the liberalization of capital movements¹ and certain measures that might be proposed with a view to strengthening the EMS.

Internal market and industrial affairs

Completing the internal market

Council

2.1.6. The first Council meeting on the internal market since the United Kingdom took over the presidency was held on 24 July. Agreement in principle was reached on a Directive concerning training in general medical practice (→ point 2.1.8.) and a Directive was adopted on the installation, location, operation and identification of the controls of wheeled agricultural or forestry tractors.²

The Council also adopted a Regulation on the rules of origin for trade between Spain and Portugal in the period during which the transitional measures are applied (→ point 2.1.59); a Decision on the Comett programme (→ point 2.1.95), and Directives on lorry axle weights (→ point 2.1.209), pesticide residues (→ point 2.1.169) and the mutual recognition of the results of conformity tests on telecommunications terminal equipment (→ point 2.1.43).

After discussion, the proposals concerning pharmaceutical products³ and noise from domestic appliances⁴ were referred the Permanent Representatives Committee for further consideration. A solution on the proposal concerning noise from domestic appliances should be found rapidly.

*

2.1.7. As it had announced in its White Paper on completing the internal market, the Commission sent the Council two proposals for directives, one on the publication of accounting documents by branches of finance companies (→ point 2.1.86) and the other on the disclosure requirements of branches in general (→ point 2.1.16).

Free movement of persons and freedom to provide services

Mutual recognition of diplomas and access to occupations

Doctors

2.1.8. The Council agreed on a Directive introducing in the countries of the Community specific training in general medical practice.⁵

This complements the two 1975 Directives on the free movement of doctors, which established mutual recognition of medical qualifications for doctors and specialists and laid down the minimum conditions for their training.⁶

Since then there has been a trend in most Member States towards offering additional specialist training to general medical practitioners, with more emphasis on practical work, in addition to the basic training common to all doctors.

The main underlying causes of this trend are:

(i) the need for improved training for the specific function of general medical practitioner; there is increasing criticism of traditional medical training, which is considered insufficient because there is more emphasis on theory than on practice; it has also been found that important aspects of general medical practice can no longer be taught in a

¹ Bull. EC 6-1986, point 1.3.1. *et seq.*

² OJ L 240, 26.8.1986.

³ OJ C 293, 5.11.1984; Bull. EC 10-1984, point 2.1.16; OJ C 122, 22.5.1986; Bull. EC 3-1986, point 2.1.18.

⁴ OJ C 181, 19.7.1982; Bull. EC 1-1982, point 2.1.39; OJ C 334, 10.12.1983; Bull. EC 11-1983, point 2.1.106.

⁵ OJ C 13, 15.1.1985; Bull. EC 12-1984, point 2.1.10; OJ C 125, 24.5.1986; Bull. EC 4-1986, point 2.1.6. The Directive was formally adopted on 15 September (OJ L 267, 19.9.1986).

⁶ OJ L 167, 30.6.1975.

satisfactory fashion within the traditional context of basic medical training;

(ii) a desire to curb expenditure on health care; it has been recognized that improved training for the specific function of general medical practitioner would contribute to an improvement in health care, particularly by developing a more selective approach to the consultation of specialists, use of laboratories and other highly specialized establishments and equipment;

(iii) the need to improve the standing of the family doctor, an activity which has become less attractive to young doctors;

(iv) the need to develop a new approach to general medical practice, stressing the health problems of individuals taken as a whole, focusing on prevention and not solely on patients' complaints.

The Council is aware of the need for systematic development of this trend to obviate any adverse effects that might ensue, particularly as regards the free movement of doctors, if the situation in one or other of the Member States were to move too far out of line.

The main characteristics of the specific training in general medical practice for which provision is made in the Directive are as follows:

(i) it is specific to general medical practice, i.e. geared to the exercise of this branch of medicine;

(ii) it is additional to the basic training provided for in Directive 75/363/EEC;¹

(iii) it will be compulsory for all doctors practising as general medical practitioners within the social security system.

The Council is aware of the repercussions of such a reform, which, to an extent that will vary from one Member State to another, will break with the established organization of medical studies and health care structures. It has therefore provided for gradual implementation by stages:

stage 1: by 1 January 1990 at the latest, Member States are required to issue the first diplomas for completion of the specific training in general medical practice;

stage 2: from 1 January 1995, subject to any acquired rights, all doctors practising as general medical practitioners under a social security system will be required to hold a diploma attesting to such specific training in general medical practice.

In addition, by 1 January 1997 at the latest, the Commission will submit a report to the Council on the development of the situation and, if necessary, appropriate proposals aimed at ensuring appropriate training for all general practitioners which

meets the specific requirements of general medical practice.

The new training will last for two years and will be given partly in a hospital or clinic and partly in an approved general medical practice or in an approved centre where doctors provide primary care. From 1995, a minimum of six months in each will be required.

Member States which, at the time of notification of the Directive, provide part of the training in general medical practice by means of experience acquired by the medical practitioner in his own surgery under the supervision of an authorized training supervisor will be permitted to retain this type of training on an experimental basis on condition that its duration is doubled and that the two periods of training in a hospital or clinic and in an approved medical practice are also provided from 1995.

All the proposals on the structure of the training will be re-examined in 1996 on the basis of a report and appropriate proposals to be submitted by the Commission with a view to achieving further harmonization of the training of general medical practitioners.

*

2.1.9. At its meeting on 4 July the Committee of Senior Public Health Officials continued the exchange of views begun on 3 and 4 December 1985 on the implications of the accession of Portugal and Spain for the application of the Directives on doctors, nurses responsible for general care, dental practitioners and midwives.² As at every meeting, it also discussed questions relating to the application of these Directives and began finalizing 1985 statistics on movements from one Member State to another in the context of the Directives.

Free movement of goods

Protective measures

2.1.10. Following a sharp increase in imports of urea from other Member States,

¹ OJ L 167, 30.6.1975.

² Bull. EC 12-1985; point 2.1.12.

on 8 July Spain asked the Commission, under Article 379 of the Act of Accession, to authorize the adoption of protective measures.

The request is to be seen against the background of a restructuring plan for the urea industry launched in 1985, which the increase in imports was liable to jeopardize. Moreover, the main urea production plants are located in the least favoured regions.

On 16 July the Commission, after examining the industry's economic situation and having established that the conditions required by Article 379 were met, authorized Spain to limit urea imports to 100 000 tonnes until 31 December 1987.

The Spanish authorities have notified the Commission of the measures taken in pursuance of the Commission's decision, which also provides for them to furnish regular data on imports from other member and non-member countries.

Removal of technical and administrative barriers to trade

Foodstuffs

Proposals adopted by the Council

2.1.11. On 15 July the Council amended,¹ on a proposal from the Commission,² Regulation No 3035/80 laying down general rules for granting export refunds on certain agricultural products exported in the form of goods not covered by Annex II to the Treaty and the criteria for fixing the amount of such refunds.³ This amendment is designed to adapt the Regulation to changes in the Common Customs Tariff nomenclature and in the tariff classification of goods, as well as to other developments that have taken place since it came into force.

Commission Directives

2.1.12. On 23 July the Commission amended⁴ the Council Directive of 25 April

1983 on the approximation of the laws of the Member States relating to materials and articles made of regenerated cellulose film intended to come into contact with foodstuffs.⁵

The purpose of the amendment is to set a migration limit for two substances authorized by the 1983 Directive, diethylene glycol and monoethylene glycol.

2.1.13. On 15 July the Commission adopted a first Directive laying down Community methods of sampling for chemical analysis of edible caseins and caseinates.⁶

Commission proposals

2.1.14. On 15 July the Commission proposed⁷ that the Council amend for the fourth time Directive 70/357/EEC on the approximation of the laws of the Member States concerning the antioxidants authorized for use in foodstuffs intended for human consumption.⁸

This is in accordance with the 1970 Directive, which requires the Commission to make an appropriate proposal on the future use of calcium disodium ethylenediaminetetraacetate, on which the Council must decide by 31 December 1986.

2.1.15. On 10 July the Commission proposed⁹ that the Council amend Directive 65/66/EEC laying down specific criteria of purity for the preservatives authorized for use in foodstuffs intended for human consumption.¹⁰

Since the Council Directive of 20 December 1985¹¹ added potassium bisulphite to the

¹ OJ L 194, 17.7.1986.

² Bull. EC 3-1986, point 2.2.16.

³ OJ L 323, 29.11.1980.

⁴ OJ L 228, 14.8.1986.

⁵ OJ L 123, 11.5.1983; Bull. EC 4-1983, point 2.1.12.

⁶ OJ L 243, 28.8.1986.

⁷ OJ C 197, 6.8.1986; COM(86) 384 final.

⁸ OJ L 157, 18.7.1970; OJ L 354, 9.12.1981.

⁹ COM(86) 385 final.

¹⁰ OJ 22, 9.2.1965.

¹¹ OJ L 372, 31.12.1985.

list of preservatives authorized by Directive 64/54/EEC,¹ the Council now needs to adopt the corresponding purity criteria.

Business law

Companies

Disclosure requirements for branches

2.1.16. As envisaged in the White Paper on completing the internal market,² the Commission transmitted to the Council on 29 July a proposal for an 11th company law Directive, concerning disclosure requirements in respect of branches of companies.³ The proposal which is supplemented by that on obligations concerning the disclosure of branches' accounting documents (→ point 2.1.86), is part of the coordination programme for company law; its aim is to make it easier for companies to exercise their right of establishment by setting up branches.

To this end, it establishes a uniform system of disclosure for branches set up in one Member State by companies established in another. The arrangements are modelled on the Community system already introduced for companies themselves, in that they provide for a short, though comprehensive, list of documents and particulars to be disclosed in the branch's register.

In addition, the proposal contains special rules with regard to accounting. It requires the disclosure, in the branch's register, of the company's annual accounts, drawn up in accordance with Community rules, but prevents Member States from also requiring the disclosure of accounts concerning the activities of the branch, which is an integral part of the parent company.

To avoid any discrimination, the setting-up of branches by companies from non-member countries is also covered in the proposed rules. Consequently, the rules for branches of companies from non-member countries differ from those for branches of Community companies only in that no

reference can be made, in the case of the former, to documents drawn up under a common system.

In short, the proposed Directive will lead to a considerable simplification of the Member States' current rules, since it reflects what has already been achieved as regards the coordination of company law, including rules on accounting.

Small business — Business cooperation — Distributive trades

Small business

2.1.17. On 8 August the Commission transmitted to the Council an action programme for small and medium-sized enterprises, accompanied by a draft resolution (→ point 1.3.1 *et seq.*).

Industry

Shipbuilding

2.1.17a. On 19 August the Commission sent the Council a paper setting out a new aid strategy for shipbuilding in the Community (→ point 2.1.82).

Steel⁴

The Community steel industry

Market management

Market situation

Production

2.1.18. Crude steel production in the Community amounted to 10.5 million

¹ OJ 12, 27.1.1964.

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

³ OJ C 203, 12.8.1986; COM(86) 397 final. The explanatory memorandum of the proposal is reproduced at point 3.5.1.

⁴ For matters relating to the ECSC operating budget and Commission aid to workers in the steel industry, see points 2.3.8 and 2.1.94 respectively.

tonnes in June, bringing the total for the first six months of the year to 65.4 million

tonnes. Table 4 gives the figures for each Member State.

Table 4 — *Crude steel production, June 1986 and first six months of 1986 and 1985*

	June 1986	First six months		% change
		1986	1985	
		(million tonnes)		
Belgium	791	4.964	5.500	- 9.7
Denmark	44	332	233	+ 42.5
Germany (FR)	3.201	19.579	20.520	- 4.6
Spain	1.063	6.316	7.229	- 12.6
France	1.528	9.215	9.860	- 6.5
Greece	80 ¹	540 ¹	484	+ 11.6 ¹
Ireland	20	117	104	+ 12.5
Italy	1.948	11.993	12.368	- 3.0
Luxembourg	313	1.975	2.008	- 1.6
Netherlands	466	2.687	2.745	- 2.1
Portugal	44	327	332	- 1.5
United Kingdom	1.021	7.349	8.255	- 11.0
Total	10.519	65.394	69.638	- 6.1

¹ Estimate.

Community output and that of the main world producers included in International Iron and Steel Institute (IISI) figures¹ are compared in Table 5.

At 65.4 million tonnes, output in the first half of 1986 was 6.1 % down on the first

half of 1985. The decrease was higher than average in Spain (12.6%), the United Kingdom (11%), Belgium (9.7%) and

¹ Covering 30 countries which account for 60% of world production, or 97% if the Eastern European countries, China and North Korea are excluded.

Table 5 — *Steel output of Community and leading world producers, 1986 and 1985 (first six months)*

	First six months		% change
	1986	1985	
	(million tonnes)		
Community	65.394	69.638	- 6.1
United States ¹	40.703	40.912	- 0.5
Japan	50.157	53.514	- 6.3
Other IISI countries	59.671	56.975	+ 4.7
Total	215.925	221.039	- 2.3

¹ The figures for the United States are based on weekly returns.

France (6.5 %); only Denmark, Greece and Ireland increased their output.

Analysis of the figures for the 10-member Community shows that the decline can be attributed almost entirely to lower net exports, internal demand having increased slightly.

Exports from the Ten fell by 3 million tonnes in the first half of the year, while imports rose by more than 1 million tonnes. A comparison for the Community of Twelve with the same period of previous years shows that production was only 4.7% lower than in 1984 while it was 5% higher than in 1983.

2.1.19. Crude steel production in the Community totalled 10 million tonnes in July. The latest information available suggests that output will be in the region of 8.5 million tonnes in August and possibly 11 million tonnes in September.

Production in the third quarter will be 29.5 million tonnes, 7.8% lower than in the third quarter of 1985. This will result in a reduction for the first nine months of the

year of 6.6 million tonnes to a level 6.5% lower than in the same period of 1985.

There was a general drop in world production during the first six months of the year compared with the first half of 1985. Production in the 30 IISI countries was 2.3% down, the whole of this reduction being accounted for by the United States, Japan and the Community.

According to the OECD, world output will probably be static in 1986, though it is expected to decline by about 3.3% in the OECD countries owing to a fall in their consumption and exports.

Orders

2.1.20. New orders for rolled products to steelworks in the Community of Nine in April amounted to just over 7 million tonnes compared with 7.339 million tonnes in April 1985. The main cause of this 3.9% reduction is lower exports to non-Community countries and lower sales to other Member States, while sales on national markets actually increased slightly.

Table 6 illustrates the trend.

Table 6 — *New orders for ordinary steel*

	Orders from home markets	Orders from other ECSC countries	Orders from non-Community countries	Total
April 1986	4.061	1.797	1.196	7.054
March 1986	3.904	1.957	1.266	7.127
April 1985	4.036	1.487	1.816	7.339

Employment

2.1.21. The number of steelworkers in the OECD countries dropped by 68 000 (5.5%) in 1985 compared with 1984. The most badly affected countries were Italy (-13%), United States (-11.5%), France (-7%), BLEU (-7%), Finland (-8%) and Switzerland (-13%). Taking these countries as a whole, employment has fallen by 790 000

(approximately 40.5%) since 1974, while crude steel output fell by only 20%.

Corrigendum

2.1.22. In Bulletin 3-1986, the 1985 figures for North Korea given at point 2.1.21, Table 2 (Output in leading steel-producing countries) are in fact those for South Korea, and vice versa.

Crisis measures

2.1.23. On 28 July the Commission adopted a Decision¹ laying down the conditions and criteria for the application of Article 7 of its Decision of 27 November 1985 on the extension of the system of monitoring and production quotas for certain steel products.² The purpose of Article 7 is to limit to a maximum of 1% the loss of relativity during two consecutive quarters by a company not benefiting, or benefiting relatively less than Community undertakings viewed as a whole, from additional quotas.

The Commission decided that undertakings suffering a reduction of more than 1% in the ratio of their quotas to the quotas of the Community as a whole are entitled to compensation. The adjustment takes the form of additional quotas granted category by category, provided that the undertaking has been suffering this loss in all the categories it produces during two consecutive quarters.

Production quotas

2.1.24. On 22 July the Commission set definitive abatement rates for the third quarter of 1986,³ provisional rates having been adopted in May.⁴ Since then the market had shown some signs of improvement, particularly with regard to demand for galvanized sheet; additional export orders had also been won for coil and cold-rolled sheet. It had therefore proved necessary to make minor adjustments for this quarter.

Table 7 — *Abatement rates for the third quarter of 1986*

	Production quota	Part of the quota that may be delivered in the common market
Ia Hot-rolled wide strip, including hoop and sheet	48	—
Ib Cold-rolled sheet	51	—
Ic Galvanized sheet	20	25
III Heavy sections	55	—

Forward programme

2.1.25. In July the Commission adopted at the second reading, the ECSC Consultative Committee having delivered its opinion,⁵ the forward programme for steel for the third quarter of 1986⁶ that had been approved at the first reading in June.⁷ The Commission has revised downward its estimates of crude steel consumption and production; nevertheless, it has decided to increase slightly the production quotas for hot-rolled wide strip, uncoated sheet, sections and galvanized sheet. Real crude steel consumption in the Community is expected to be 25 million tonnes during the period July-September compared with the original estimate of 25.5 million tonnes; total production will probably amount to 28.3 million tonnes instead of the estimated 29 million tonnes.

Prices

2.1.26. The ECSC Consultative Committee having delivered its opinion,⁸ the Commission adopted on 31 July⁹ at the second reading¹⁰ two Decisions on the publication of price lists and conditions of sale applied by undertakings in the steel industry. These Decisions specify the group discount for ordinary steels and authorize a group discount for special steels.

2.1.27. The Commission also published in the *Official Journal* a communication concerning the publication of price lists for sales from stocks by the steel trade.⁶ The Commission would like the steel trade, which already has to comply with the rules adopted in connection with the prohibition of discrimination laid down in Article 60,

¹ OJ L 205, 29.7.1986.

² OJ L 340, 18.12.1985.

³ OJ L 201, 24.7.1986.

⁴ OJ L 142, 28.5.1986.

⁵ Bull. EC 6-1986, point 2.4.19.

⁶ OJ C 192, 30.7.1986.

⁷ Bull. EC 6-1986, point 2.1.31.

⁸ Bull. EC 6-1986, point 2.4.20.

⁹ OJ L 221, 7.8.1986.

¹⁰ Bull. EC 6-1986, point 2.1.32.

to continue to publish price lists for sales from stocks on a voluntary basis in order to ensure price transparency in the trade. The Commission considers that the steel undertakings' price lists and its own rules on pricing practices could serve as a basis.

Research

2.1.28. On 18 July the Commission decided under Article 55 of the ECSC Treaty to grant financial aid of 900 025 ECU to six research projects as part of the fourth medical research programme (Effects on the health of workers of physical and other occupational factors at the workplace).¹ The purpose of these projects is to study the importance of quartz in the development of pneumoconiosis, the natural history of irregularly shaped shadows on coalminers' chest radiographs, the medical and toxicological effects of fine dusts in coalmines settling in miners' lungs, the biological (toxic, carcinogenic and mutagenic) effects of welding fumes and the role of inflammation in the obstruction of airways and the mechanism of bronchial hyperreactivity.

Conversion

2.1.29. On 6 August the Commission sent the Council and Parliament a communication entitled 'Stronger Community structural measures to assist steel restructuring areas'.²

The Commission proposes in this document that 16 priority areas in the Community accounting for two thirds of the steel industry workforce should be eligible to participate in an intensified redeployment programme designed primarily to create alternative jobs.

This integrated programme to assist the steel areas worst affected by restructuring has the following objectives:

(i) in addition to the granting of ECSC and NCI loans and new job-creation schemes, to implement an integrated approach agreed with the national governments in the most severely affected areas, in

order to make more effective use of national and Community instruments;

(ii) to step up lending activities and new job-creation schemes in all coal and steel areas in order to facilitate access to venture capital for small businesses, promote sub-contracting and innovation centres, etc.

The Commission proposes two sets of measures in view of the current budget problems:

(i) review of the terms for granting conversion loans;

(ii) * possibility of increasing financing through the European Regional Development Fund.

The Commission paper is linked to two other communications—concerning the amendment of the operating principles for conversion loans granted under Article 56(2)(a) of the Treaty (→ point 2.1.30) and the procedures and content for the implementation of an integrated approach (→ point 2.1.132).

2.1.30. The Commission decided on 16 July to amend³ the operating principles for loans under Article 56(2)(a) of the ECSC Treaty.⁴ The object of this review was to reconcile the reduced financial resources of the ECSC with the large increase in demand for conversion loans; it was also justified by the fact that interest rates have fallen on most national capital markets.

The main points are as follows:

(i) reduction of the interest-rate subsidy (from 5% to 3% on global loans and from 3% to 2% on direct loans);

(ii) limitation of the number of items eligible for the subsidy;

(iii) introduction of other measures designed to preserve and improve the efficiency of ECSC conversion loans.

¹ Bull. EC 10-1981, point 2.1.67.

² COM(86) 422 final.

³ SEC(86) 1221/2.

⁴ OJ C 191, 16.7.1983.

Trade with non-member countries

Exports

Dispute with the United States in respect of semifinished products

2.1.31. The negotiations between the Community and the United States on including semifinished products in the general Arrangement on steel products were discussed at the Council meeting of Ministers for Industry on 9 July.

On 15 July, at a meeting of Agriculture Ministers, the Council formally approved the Arrangement on semifinished steel products negotiated by the Commission. This takes the form of an exchange of letters which amends the general Arrangement¹ of 21 October 1982, as amended in December 1985,² so as to include semifinished products.

The Arrangement also sets out the scope for exports of semifinished products by Community steel producers for the period July 1986-September 1989.

The Council also adopted provisions for implementing this Arrangement and rules governing allocation of the quantities that may be exported by the various Member States ('burden sharing').³

Imports

2.1.32. On 10 July the Commission approved a decision authorizing the Member States to institute intra-Community surveillance of the importation for home use of certain iron and steel products originating in certain non-member countries covered by the ECSC Treaty and in free circulation in the Community.⁴

This Decision, to apply until 31 December 1986, provides for prior surveillance of imports to all the Member States except Greece, primarily for products in free circulation originating in State-trading countries. In particular it authorizes France to extend

surveillance to seven other non-Community countries and makes it possible to discontinue infringement procedures pending since 1984 against Member States that had unlawfully introduced national licences for these products.

2.1.33. On 31 July the Commission decided to derogate once again from the Recommendation of 15 January 1964 concerning an increase in the protective duty on iron and steel products at the external frontiers of the Community.⁵

The object of this Decision is to authorize the Member States to suspend at the levels indicated certain customs duties within tariff quotas on products where supply does not always meet demand.

2.1.34. The Commission decided in July that anti-dumping measures on imports of sheet and plate of iron or steel originating in Bulgaria and Romania were to expire.⁶

Research and technology, industrial innovation and information market

Community R&D policy

Framework programme

New programme (1987-91)

2.1.35. On 1 August the Commission sent the Council a proposal for a Regulation

¹ OJ L 307, 1.11.1982; Bull. EC 10-1982, point 1.3.1 *et seq.*; OJ L 215, 12.8.1985; Bull. EC 7/8-1985, point 2.3.12; OJ L 9, 10.1.1985; Bull. EC 1-1985, point 2.2.13.

² OJ L 355, 31.12.1985; Bull. EC 11-1985, point 2.1.34; Bull. EC 12-1985, point 2.1.36.

³ The Arrangement was signed by the United States on 7 September and came into force on 15 September (OJ L 262, 13.9.1986). Accordingly, the Council repealed the retaliatory measures decided upon when the United States introduced unilateral import restrictions at the end of 1985 in respect of Community exports of semifinished products. OJ L 30, 5.2.1986; Bull. EC 1-1986, point 2.1.20; Bull. EC 2-1986, point 2.1.22; OJ L 145, 30.5.1986; Bull. EC 5-1986, point 2.1.30.

⁴ OJ L 233, 20.8.1986.

⁵ OJ L 243, 28.8.1986.

⁶ OJ L 178, 16.7.1986.

concerning the framework programme of Community activities in the field of research and technological development (1987-91). The proposal was drawn up in the light of Research Ministers' discussions of the guidelines which the Commission had transmitted in March (→ point 1.2.1 *et seq.*).

Revision of the JRC programme for 1987

2.1.36. Along with its proposal for the new framework programme, the Commission sent the Council a proposal concerning the revision of the Joint Research Centre's programme for 1987.¹

In March, at the same time as its communication on the framework programme guidelines, the Commission had sent the Council a paper outlining the future multiannual programme of the JRC.² Since discussion of the paper at two successive meetings of Research Ministers³ revealed the importance of a more detailed re-examination of the Centre's future and of its role in the technological society, the Commission decided to set up a group of senior experts with responsibility for studying the JRC's new mission to report in November 1986. Meanwhile the Commission decided to send the Council a proposal for the final year of the current programme (1984-87).

The proposed revision covers the following points:

There will be some reduction of activities in the field of new and renewable sources of energy where the technologies involved can be considered to have reached the stage of maturity from the standpoint of JRC research. Nevertheless, work on pre-standardization measures will continue.

The same is true of certain nuclear fission activities. In view of the recent accident at Chernobyl, however, priorities will be redefined so as to emphasize research on major accidents, means of limiting their consequences, and component and systems reliability.

In environmental research, the Commission is proposing a new project on radiation

evaluation and monitoring taking the form of a one-year exploratory exercise covering data collection and evaluation methods.

Work on materials and structures will be intensified in view of its considerable importance for the competitiveness of Community industry and — as regards pre-standardization — for the completion of the internal market.

Other activities, including work in the field of fusion technology and safety, will continue at their present level.

Besides the measures taken to increase the number of visiting scientists and research fellows from the Member States, training programmes addressed to participants from less-developed countries will be implemented.

Above all, 1987 should see the development of new relations between the JRC and the outside world as represented, essentially, by the industries of the Member States.

International cooperation

EFTA countries

2.1.37. On 15 July the Community and Austria signed a framework Agreement in Brussels relating to scientific and technical cooperation.⁴ This Agreement is similar to those which the Community has already concluded with Switzerland and Sweden,⁵ Norway⁶ and Finland.⁷

2.1.38. The joint committee set up by the framework agreement between the Community and Switzerland signed on 8 January⁵ held its first meeting in Brussels on 2 July, and that under the framework agreement with Sweden signed on 12 January⁵

¹ COM(86) 416 final.

² Bull. EC 3-1986, point 1.1.7.

³ Bull. EC 4-1986, point 2.1.25; Bull. EC 6-1986, point 2.1.46.

⁴ OJ L 216, 5.8.1986.

⁵ Bull. EC 1-1986, point 2.1.25.

⁶ Bull. EC 6-1986, point 2.1.52.

⁷ Bull. EC 4-1986, point 2.2.18.

met, also for the first time, in Brussels on 12 July. Both committees reviewed the positions and priorities of the two parties with regard to science and technology and to existing cooperation in this field (controlled thermonuclear fusion — including the JET project — wood as a renewable raw material, climatology, telecommunications, information technology, medical research, COST projects, etc.).

The Swiss and Swedish delegations showed a marked interest in cooperation in several areas covered by such Community projects as Esprit, RACE, Brite, Euram,¹ the stimulation plan and the biotechnology research programme. The committees held an initial discussion on possible ways of implementing such cooperation.

The Swedish delegation also expressed a wish to renew the cooperation agreements on wood as a renewable raw material² and on urban and industrial waste recycling,³ which expired on 31 December 1985.

COST projects

2.1.39. The conclusions regarding the future role of COST reached by its Committee of Senior Officials at a meeting on 23 and 24 June were transmitted to the Commission, Parliament and the Council, and will also be communicated to the European Science Foundation,⁴ the Council of Europe, the Scientific and Technical Research Committee and the Research Ministers of all the COST countries.

In its conclusions, the Committee stresses that COST constitutes the ideal framework for increased and closer cooperation between the Community and the EFTA countries in the R&D sector along the lines indicated in the EEC/EFTA Joint Declaration issued in Luxembourg on 9 April 1984.⁵ Bilateral agreements between the Community, certain EFTA countries and other COST countries complement this multilateral cooperation. As a result, the multilateral arrangements adopted for the conclusion of COST agreements falling within the categories approved by the

Council in 1978⁶ will remain unchanged, although the details could be altered if necessary.

In this connection, Eureka, though its objectives differ from those of COST, could benefit from the 15 years' experience of European cooperation gained in the COST context, which could also serve as a point of departure for certain Eureka activities in fields in which projects having industrial applications are initiated.

Moreover, COST already makes a major contribution to the scientific networks in its area of responsibility, and its close contacts with the Council of Europe and the European Science Foundation should be maintained through the agency of the Commission so that experience may be shared and duplication of activity avoided.

The Committee of Senior Officials believes that COST objectives can be attained with the resources currently employed and that these could be improved by the coordination and exchange of information with the Community, Eureka and other bodies at the time of project preparation; by the participation — where this is felt necessary — of industry, especially small businesses, and users, particularly public bodies, in such preparatory activities; by setting up new technical committees where a definite need exists for a comprehensive view of a given research sector; by the more systematic monitoring of current activities coupled with a final overall assessment of long-term projects; by careful examination of the financing of COST activities and clarification of questions concerning both financing at national and central level (at which new COST projects are promoted) and links

¹ European research on advanced materials: Bull. EC 6-1986, point 2.1.65.

² OJ L 185, 8.7.1983; Bull. EC 6-1983, point 2.1.253.

³ OJ L 360, 23.12.1983; Bull. EC 12-1983, point 2.1.222.

⁴ The European Science Foundation, based in Strasbourg, is a non-governmental organization made up of science academies and research councils responsible for financing scientific research at national level; it is largely publicly funded.

⁵ Bull. EC 4-1984, point 1.2.1 *et seq.*

⁶ Twelfth General Report, point 425.

with Community activities. This examination could give rise to the introduction of new financing methods, which would not necessitate an immediate increase in appropriations for the COST Common Fund.

The Senior Officials also recommend an improved dissemination of information concerning COST R&D activities and their results, a significant increase, particularly at national level, in the publicity given to COST in general and to individual COST projects, and an examination, possibly accompanied by reorganization, of the COST decision-making processes in the case of both national and Community procedures in an attempt to reduce delays.

2.1.40. On 14 July the Council decided to conclude two concertation agreements between the Community and certain non-member countries relating to research in the field of aquatic primary biomass (marine macroalgae) (COST Project No 48) and plant *in vitro* culture (COST Project 87).¹

*

2.1.41. At its July part-session, Parliament adopted three resolutions on European research policy (→ point 2.4.14).²

Sectoral R&D activities

Energy

Nuclear fission energy

2.1.42. In the *Official Journal* of 1 August³ the Commission published a second call for proposals⁴ under the research and development programme on the management and storage of radioactive waste (1985-89).⁵ These proposals relate to studies and research projects which are concerned, in particular, with the characterization of overall management schemes for certain categories of waste and the improvement of waste processing and conditioning techniques. A Community contribution of approximately 8 million ECU is envisaged.

Industry

New technologies

Telecommunications

Mutual recognition of type approval for telecommunications terminal equipment

2.1.43. On 24 July the Council formally adopted a Directive on the initial stage of the mutual recognition of type approval for telecommunications terminal equipment,⁶ having signified its approval on 9 June.⁷

Biotechnology

2.1.44. On 18 July the Commission published a call for expressions of interest in participation in a multiannual programme of development and demonstration activities, with the aim of stimulating agro-industrial development, in the context of Community initiatives for the promotion of biotechnology.⁸

The fields which this programme might cover are described in the Commission discussion paper entitled 'Biotechnology in the Community — Stimulating agro-industrial development'.⁹ The call is intended to enable the Commission to make a better assessment of the degree of interest in and the prospects offered by the topics in question and to help in establishing contacts between participants, should it be decided to launch such a multiannual programme.

Health and safety¹⁰

Radiation protection

2.1.45. On 7 July the Community and the United States signed a Memorandum of

¹ OJ L 216, 5.8.1986; Bull. EC 3-1986, point 2.1.42.

² OJ C 227, 8.9.1986.

³ OJ C 194, 1.8.1986.

⁴ First call: OJ C 84, 2.4.1985.

⁵ OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

⁶ OJ L 217, 5.8.1986.

⁷ Bull. EC 6-1986, point 2.1.59.

⁸ OJ S 137, 18.7.1986.

⁹ Bull. EC 4-1986, point 2.1.30.

¹⁰ For the social aspects of research in the steel industry, see point 2.1.28.

Understanding concerning cooperation in the field of research on the effects of radiation on health and the environment.

This cooperation is to take numerous forms, including the exchange of scientific and technical information, samples, equipment and instruments; short or long-term exchange visits by research workers; and the joint organization of symposia, seminars and workshops. European and American research workers will also participate in certain joint research projects. The principal areas covered by cooperation include study of the behaviour and effects of radionuclides in the environment and study of the somatic and genetic effects of ionizing radiation.

The cooperation between the Community and the United States initiated by this Memorandum of Understanding will be of particular importance for the research programme in the field of radiation protection (1985-89).¹

Industrial innovation and information market

Development of a European information market

2.1.46. In July the Economic and Social Committee delivered an opinion (→ point 2.4.38) on the Commission's communication to the Council concerning a work programme for the creation of a common information market.²

Customs union

Simplification of customs formalities

Single administrative document

2.1.47. In accordance with the undertaking given when the Council adopted the basic instruments concerning the entry into

force of a single administrative document for intra-Community trade with effect from 1 January 1988,³ the Commission adopted on 22 July three Regulations laying down the procedures for implementing the reform.⁴

These three Regulations take account of the lessons learned during practical and theoretical tests carried out at the beginning of this year with the help of several Member States and business firms which volunteered their services, and define the codes to be used with the document.

Thus all the legislative requirements for the effective entry into use of the single document on the planned date have now been fulfilled.

First and foremost, this document will replace a great many administrative documents currently required in intra-Community trade. It thereby represents a substantial step forward in the rationalization and reduction of the administrative documentation concerned. It is also the result of considerable efforts made with a view to reducing the amount of information which may be required of businesses.

Furthermore, in the interests of document rationalization the same form will also be used for trade with non-Community countries, in which case certain extra data, which may be requested only in that specific context, will also have to be given. Those concerned will consequently have to deal with only a single form for all trading activities.

This reform has been introduced on behalf of and in cooperation with the Community's business world; after five years of preparatory work, it constitutes an important step towards eliminating formalities in intra-Community trade in goods.

¹ OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

² Bull. EC 11-1985, point 2.1.45.

³ OJ L 79, 21.3.1985; Bull. EC 12-1984, point 1.6.1.

⁴ OJ L 263, 15.9.1986.

General legislation

Mutual administrative assistance between Member States

2.1.48. In the light of the opinion delivered by Parliament,¹ on 2 July the Commission amended² its proposal for a Regulation³ which would extend the administrative cooperation arrangements applying to textile imports⁴ to the whole field covered by the Council Regulation of 19 May 1981 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs or agricultural matters.⁵

One of the purposes of the amendment is to enable the Commission to carry out Community administrative cooperation and investigation missions not only in non-member countries but also in Member States, in cooperation with the relevant authorities there.

Reliefs from customs duty

2.1.49. On 25 July the Commission amended⁶ its regulation of 29 July 1983⁷ establishing the list of biological or chemical substances provided for in Article 60(1)(b) of the Council Regulation of 28 March 1983 setting up a Community system of reliefs from customs duty.⁸

The amendment replaces the existing list of substances eligible for relief from import duties, adding two chemical substances, helium-3 (a helium isotope) and (oxygen-18) water, i.e. water containing an isotope of oxygen, for which there is no equivalent production in the Community.

Customs territory of the Community

Entry of goods

2.1.50. On 2 July the Economic and Social Committee issued an opinion (→ point 2.4.40) on the proposal for a Regulation

laying down the provisions applicable to goods brought into the customs territory of the Community.⁹

Customs procedures with economic impact

Outward processing and standard exchange

2.1.51. On 24 July the Council adopted, on a proposal from the Commission,¹⁰ a Regulation on outward processing relief arrangements and the standard exchange system.¹¹

The Regulation replaces the Directive of 18 December 1975¹² with regard to outward processing and the Directive of 27 November 1978¹³ with regard to standard exchange, and represents a further substantial step forward in consolidating existing customs legislation in the form of regulations. This is an addition to the range of instruments on customs processing arrangements, further to the Regulation of 16 July 1985 on inward processing relief¹⁴ and the Regulation of 26 September 1983 on processing under customs control.¹⁵

Customs warehouses and free zones

2.1.52. On 2 July the Economic and Social Committee issued an opinion (→ point 2.4.39) on the proposals for Regulations

¹ OJ C 120, 20.5.1986; Bull. EC 4-1986, point 2.1.41.

² OJ C 181, 19.7.1986; COM(86) 381 final.

³ OJ C 267, 18.10.1985; Bull. EC 10-1985, point 2.1.38.

⁴ OJ L 169, 26.6.1981.

⁵ OJ L 144, 2.6.1981.

⁶ OJ L 203, 26.7.1986.

⁷ OJ L 220, 11.8.1983; Bull. EC 7/8-1983, point 2.1.30.

⁸ OJ L 105, 23.4.1983; Bull. EC 3-1983, point 2.1.28.

⁹ OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.49.

¹⁰ OJ C 153, 11.6.1983; Bull. EC 5-1983, point 2.1.44; OJ C 203, 29.7.1983; Bull. EC 6-1983, point 2.1.52.

¹¹ OJ L 212, 2.8.1986.

¹² OJ L 24, 30.1.1976.

¹³ OJ L 349, 13.12.1978.

¹⁴ OJ L 188, 20.7.1985; Bull. EC 7/8-1985, point 2.1.40.

¹⁵ OJ L 272, 5.10.1983; Bull. EC 9-1983, point 2.1.27.

concerning customs warehouses and free zones and free warehouses.¹

Common Customs Tariff

Nomenclature

2.1.53. On 31 July and 12 August the Commission adopted two Regulations to ensure uniform application of the Common Customs Tariff nomenclature, the first concerning the procedure for determining the meat content by weight of meat preparations and preserves² and the second classifying gas oil for undergoing sulphuric acid processing in subheading 27.10 C I c).³

2.1.54. The Committee on CCT Nomenclature likewise adopted a number of tariff measures in the form of explanatory notes or agreements on the classification of goods, concerning the following subheadings: 27.07 G;⁴ 85.15 A IV, 92.11 B;⁵ 27.10 A I;⁶ 85.21 E and 84.25.⁷

2.1.55. The Commission further announced that after the realignment of the bilateral central rates in the EMS (→ point 2.1.4) the rates to be used for converting the ECU into national currencies for the purposes of determining the tariff classification of goods and customs duties under the CCT were changed with effect from 15 August.⁸

Economic tariff matters

Tariff quotas

2.1.56. In July the Council adopted four Regulations opening, allocating and providing for the administration of Community tariff quotas for:

(i) certain fishery products originating in Sweden);⁹

(ii) certain kinds of polyethylene terephthalate film falling within CCT subheading ex 39.01 C III a);¹⁰

(iii) frozen peas falling within CCT subheading ex 07.02 B originating in Sweden;⁹

(iv) unroasted malt falling within CCT subheading 11.07 A II b) originating in and coming from Finland.¹⁰

Generalized tariff preferences

2.1.57. On 7 July the Council adopted a Regulation applying supplementary generalized tariff preferences in respect of certain industrial products originating in developing countries and sold at the Berlin 'Partners in progress' fair.¹¹

Origin

2.1.58. On 31 July the Commission adopted a Regulation derogating in respect of the Netherlands Antilles and Aruba from the direct transport rule in Articles 6 and 7 of the Regulation of 23 December 1983 on the definition of the concept of originating products for the purposes of the application of tariff preferences granted by the European Economic Community in respect of certain products from developing countries.¹² This derogation concerns exclusively the administrative rules and does not alter the substance of the rules on evidence of origin.

Accession-related measures

2.1.59. On 24 July the Council amended¹³ on a proposal from the Commission,¹⁴ its Regulation of 3 March 1986 on the rules of

¹ OJ C 283, 6.11.1985; Bull. EC 10-1985, point 2.1.41.

² OJ L 210, 1.8.1986.

³ OJ L 232, 19.8.1986.

⁴ OJ C 165, 3.7.1986.

⁵ OJ C 177, 17.7.1986.

⁶ OJ C 197, 6.8.1986.

⁷ OJ C 199, 8.8.1986.

⁸ OJ C 206, 16.8.1986.

⁹ OJ L 205, 29.7.1986.

¹⁰ OJ L 206, 30.7.1986.

¹¹ OJ L 188, 10.7.1986.

¹² OJ L 372, 31.12.1983; Bull. EC 12-1983, point 2.1.37.

¹³ OJ L 212, 2.8.1986.

¹⁴ Bull. EC 6-1986, point 2.1.78.

origin for trade between Spain and Portugal in the period during which the transitional measures are applied.¹

Competition

Restrictive practices, mergers and dominant positions: specific cases

Prohibited horizontal agreements

Airlines

2.1.60. In July the Commission decided to send letters to 10 Community airlines pointing out that they had infringed the competition rules of the EEC Treaty² and requiring them to bring the infringements to an end. The letters form part of formal proceedings against the airlines under Article 89 and were sent to Sabena (Belgium), SAS (Denmark), Lufthansa (Germany), Olympic Airways (Greece), Air France (France), Aer Lingus (Ireland), Alitalia (Italy), KLM (Netherlands), British Airways (UK) and British Caledonian (UK).

In these letters, which set out formally the infringements established, the Commission requested the airlines to submit their comments and to inform it within two months of the measures they envisage to eliminate the restrictions on competition and terminate the infringements. It would otherwise be obliged to issue a reasoned decision and request the Member States to take the measures needed to remedy the situation. The proceedings under Article 89 are without prejudice to further action by the Commission that may be necessary under Article 90. The Commission previously investigated agreements and restrictive practices between airlines in July 1981.³

The following joint statement was issued by Mr Peter Sutherland and Mr Stanley Clinton Davis the Members of the Commission with special responsibility for competition and transport respectively.

'The Commission wants the European citizen to have access to a wide range of air travel services at reasonable cost. If our industries are to take advantage of the Community's internal market, restrictive practices and the resulting high air transport costs cannot be allowed to hinder the expansion of Community trade in goods and services. The stimulus that would be provided by greater cost-competitiveness in air transport to tourism and related services, the aircraft industry and other important economic sectors is undeniable.

The Commission has the duty to ensure that the right of fair competition guaranteed under the Treaty to our citizens and firms extends also to air travel. To this end, and taking account of the recent decision of the European Council at The Hague,⁴ the Commission has decided to act under Article 89 of the Treaty of Rome. We hope that this will stimulate real momentum at the Council of Transport Ministers to conclude expeditiously its negotiations for the liberalization of air transport.'

European Broadcasting Union

2.1.61. Following representations by the Commission, in July a number of broadcasting organizations belonging to the European Broadcasting Union dropped plans to fix common rates and conditions for supplying television news items to third parties.

EBU members exchange news items free of charge via the Eurovision news network. A number of EBU members planned to set up a group to fix joint rates and conditions for the use of television news items taken from the network by third parties. This would have restricted competition within the common market, since intending purchasers would no longer have been able to negotiate separately with individual broadcasters and would have had to deal with the group.

In response to a request for information the Commission advised the organizations that such activities were caught by the EEC Treaty competition rules; the broadcasters accordingly dropped their plans and will revert to their previous practice of negotiat-

¹ OJ L 83, 27.3.1986; Bull. EC 3-1986, point 2.1.63.

² Bull. EC 4-1986, point 2.1.59.

³ Bull. EC 7/8-1981, point 2.1.138.

⁴ Bull. EC 6-1986, point 1.1.8.

ing separately with purchasers. The case demonstrates the Commission's resolve to ensure that broadcasting organizations comply with the competition rules just like any other company.

Roofing felt

2.1.62. On 10 July the Commission imposed fines totalling 1 million ECU on seven Belgian producers of roofing felt for entering into and operating a cartel from 1978 to early 1984 in contravention of the competition rules laid down in the EEC Treaty.¹ Belasco, the cooperative association of which the seven producers are members, was fined 15 000 ECU for its part in the operation of the cartel and two other producers (non-members) were found to have committed infringements of the competition rules in cooperating with the cartel through price fixing.

Roofing felt is essentially bitumen-coated sheeting, used extensively in the building industry for waterproofing, in particular on flat roofs.

During investigations in 1984 and 1985 the Commission found that a formal agreement had been drawn up and signed in 1978 by 7 of the 10 producers in Belgium at the time for the purpose of organizing the Belgian market for roofing felt and protecting it from external competition. The agreement provided for market-sharing quotas, common price lists, minimum prices and joint action to deal with any threats to the cartel as a result of new entrants into the market, increased foreign competition or the introduction of new products. There were also restrictions on the sale or leasing of production facilities and on the production of roofing felt on behalf of non-members for delivery to the Belgian market. In addition to other restrictions the members also agreed on measures such as the coordination of product ranges and joint sales promotion.

The cartel agreement was substantially implemented. In particular, sales quotas and common price lists were operated

throughout the period in question. The members also laid down maximum discounts, especially from 1978 to 1980. It was at this time also that the cartel members concluded agreements on at least two occasions with two non-members to set maximum discount levels which would be reduced progressively through concerted action. The members also took concerted action against another Belgian producer who was selling at lower prices and decided on similar action against an importer of roofing felt from another Member State (imports, mostly from neighbouring Community countries, account for about one fifth of the Belgian market). They also acted to discourage the rescue by foreign firms of a producer who had been declared bankrupt.

In view of the very serious nature of the restrictions on competition practised over more than five years, the Commission imposed stiff fines. In doing so it nevertheless took into consideration the small size of the businesses involved, which may not have fully appreciated the applicability of the Treaty rules, and the fact that they faced economic difficulties as a result of the crisis in the building industry.

In accordance with its position in earlier cases and that of the Court of Justice, the Commission's Decision reaffirms the applicability of the Treaty competition rules to 'national' agreements, where they have the effect of partitioning the common market on a national basis, contrary to the Treaty's aim of ensuring free and undistorted competition within a unified internal market.

The individual fines imposed by the Commission were as follows:

¹ OJ L 232, 19.8.1986.

	(in ECU)
Antwerps Teer-en Asphaltbedrijf, Antwerp	420 000
Lummerzheim & Co., Ghent	200 000
Compagnie Générale des Asphaltes, Brussels	150 000
Kempisch Asphaltbedrijf, Herentals	75 000
De Boer & Co., Schoten	75 000
Vlaams Asfaltbedrijf Huyghe & Co., Staden	50 000
Limburgse Asfaltfabrieken, Hasselt	30 000
Société Coopérative des Asphalteurs Belges (Belasco), Brussels	15 000

Distribution

Instituto Brasileiro do Café

2.1.63. Acting on a complaint lodged in December 1985 by the European Federation of Associations of Coffee Roasters, the Commission requested the Instituto Brasileiro do Café (IBC) to delete certain clauses in contracts with coffee roasters forbidding the resale of green coffee, on the ground that these clauses infringed the Community competition rules.

Since Brazil is the main supplier of coffee to the Community market — controlling over 26% of the market, valued at 5 800 million ECU — the imposition of such supplementary obligations would place an unfair burden on coffee processors and lead to unreasonably high retail prices.

Following the Commission's moves, IBC eliminated the clauses restricting the sale of coffee within the Community.

The Commission had intervened in a similar case in the past to enforce the competition rules on the coffee market. In 1975 the Commission established that IBC's sales policy, formulated for the most part by its office in Milan, was inconsistent with the Community's rules on competition. Under the general terms for sales from its warehouses in Trieste, IBC prohibited the exportation

of green coffee from Italy and France and confined the sale of roasted coffee for direct consumption to those two markets. In addition, the preferential sales agreements which IBC had concluded with numerous coffee-roasting firms in the Community discriminated between purchasers. Following the Commission's action, IBC agreed to end the export bans, to grant access to the warehouse in Trieste to all Community traders on an equal footing and to terminate its preferential agreements.

Abuse of dominant positions

British Sugar

2.1.64. In July the Commission sent British Sugar a statement of objections to the effect that the company had *prima facie* abused its dominant position within the meaning of Article 86 and had made agreements which infringed Article 85(1); subject to any comments, observations or arguments that British Sugar might wish to put forward, the Commission intended to take interim measures.

In 1985 Napier Brown & Co. Ltd, a sugar merchant, packager and supplier of packet sugar for the retail trade, complained to the Commission that British Sugar plc, the only UK producer of sugar from sugar beet and the largest UK sugar producer, had engaged *inter alia* in various practices designed to drive Napier Brown out of the retail sugar market in the United Kingdom. Towards the end of the year Napier Brown asked the Commission to adopt interim measures.

Following discussions between British Sugar and Commission officials, held at the request of British Sugar, the company offered the following undertakings to the Commission, while reserving its position on the facts and allegations contained in the statement of objections:

- (i) British Sugar agrees to supply a quantity of standard industrial sugar to Napier Brown on terms and conditions acceptable to the Commission.

(ii) British Sugar will not seek to enter into any agreement with a customer whereby the customer agrees not to purchase products of Whitworths Ltd (a shareholder in Napier Brown and the firm that packages sugar for Napier Brown).

(iii) British Sugar accepts the need for sugar merchants and believes that they have a useful function to perform in the UK market. British Sugar has no intention now or in the future of undertaking any pricing practice which may in any way damage the continued existence of the merchants. British Sugar undertakes to the Commission that it will engage in normal and reasonable pricing practices which can in no way be construed as predatory. British Sugar recognizes the Commission's concern that an insufficient margin between its price for retail sugar and industrial sugar might be considered to be an unreasonable pricing practice.

In the Commission's view these undertakings open the way for a return to normal conditions of competition in the UK retail sugar market, thus ensuring that consumers have a wider choice of packet sugar suppliers. The interim measure proceedings have therefore been suspended. However, the Commission will be particularly vigilant on the UK retail sugar market in the coming months and should British Sugar's undertakings or their implementation prove to be inadequate it will consider further measures.

The Commission's acceptance of these undertakings is thus without prejudice to the final outcome of the case.

Joint ventures

Optical fibres

2.1.65. On 14 July the Commission granted exemption under the Community's competition rules to two sets of agreements entered into by the US corporation Corning Glass Works.¹ Under the agreements, Corning has set up joint ventures in the United Kingdom with BICC plc and in Germany

with Siemens AG for the production and sale of optical fibres.

Corning is one of the major world manufacturers and distributors of optical fibres, and its joint ventures in the Community account for almost 50% of Community production capacity. BICC and Siemens are leading cable makers in the United Kingdom and Germany respectively.

Optical fibres are high-technology carriers of information, forming a worldwide market valued at USD 1 000 million. Their major application is in telephone communications (accounting for 80% of production), where they are tending to replace the more traditional copper or coaxial conductors. The remaining 20% of optical fibre production is currently used in cable television, digital networks and other industrial applications. Optical fibre technology is developing rapidly, and most Member States have already installed a number of optical communication systems.

After initial objections by the Commission, which was concerned in particular about the dangers of collusion and market sharing between the parties, they agreed to make substantial changes to their agreements. Accordingly, day-to-day management and sales policy are the responsibility of the joint ventures themselves, in which BICC and Siemens have the decisive role, while Corning retains responsibility for the manufacturing technology. Corning's licences to the joint ventures are not exclusive and the joint ventures sell their products on a non-discriminatory basis in competition with each other and third parties throughout the common market.

This Decision granting exemption under Article 85(3) illustrates the Commission's policy: to apply the competition rules while taking due account of world market conditions in high-technology industries and facilitating technology transfers by joint ventures under conditions of competition

¹ OJ L 236, 22.8.1986.

that meet the requirements of the common market.

Ulan-Coal — Hargreaves

2.1.66. On 7 July the Commission authorized the Australian coalmining company Ulan Coal Mines Ltd to acquire a 50% shareholding in Hargreaves (Antwerp) NV, a wholly owned subsidiary of Hargreaves Group plc. The joint venture thus formed will have as its object the distribution of a certain amount of steam-coal for industrial use produced by Ulan, but it will remain free to sell coal from other sources.

Although Ulan is 40% controlled by Mitsubishi Development Pty Ltd, which in October 1985 formed a joint subsidiary in the United Kingdom with the American coalmining company Nerco, the deal is of only limited significance within the common market. The market shares in the Community of each of the parties will still be less than 5%. In addition, Ulan's purchase of a stake in Hargreaves NV will enable Ulan to increase its presence in the common market in steam-coal for industrial use and hence intensify competition in that market.

Given these facts the Commission took the view that the setting up of the joint venture was consistent with the requirements for authorization under Article 66(2) of the ECSC Treaty.

Mergers

Ruhrkohle Handel — Haniel Handel

2.1.67. On 29 July the Commission authorized Ruhrkohle Handel GmbH, a subsidiary of Ruhrkohle AG, to acquire the wholesale solid fuels businesses in Duisburg, Mannheim, Frankfurt and Nürnberg of Haniel Handel GmbH, a subsidiary of the Haniel & Cie GmbH group.

Ruhrkohle is the second-largest coal producer in the common market after the National Coal Board. The Haniel group already disposed of another subsidiary operating in the wholesale coal trade, Han-

iel Coal & Mining GmbH, in 1985 and with the present sale is further reducing its solid fuels business.

The market shares of the Ruhrkohle wholesale coal trading companies in the two sectors concerned, power stations and industry, will be increased only marginally by the acquisition of the Haniel group wholesale coal businesses. Furthermore, Ruhrkohle's market share in the industrial sector is comparable with that of other companies, while its much higher market share in the power station sector did not give cause for objection on account of the government influence there.

The Commission also took account of the recent takeover of Haniel Handel GmbH by Mobil Oil, which makes it highly likely that the Haniel group will withdraw completely from the solid fuels trade. The merger will accordingly help maintain effective competition between different substitute fuels.

The deal therefore satisfied the tests for authorization of mergers laid down in Article 66(2) of the ECSC Treaty.

State aids

Regional aids

Germany

2.1.68. On 29 July the Commission decided that two Rhineland-Palatinate aid schemes concerning a metalworking firm in Betzdorf¹ and a fibre-processing firm in Scheuerfeld² were incompatible with the common market by virtue of Article 92(1) of the EEC Treaty.

Having examined the comments of the parties concerned, it found that the socio-economic difficulties in these regions could not be considered serious in a Community context. Since the effect on trading conditions

¹ OJ C 338, 31.12.1985; Bull. EC 10-1985, point 2.1.49.

² OJ C 34, 14.2.1986; Bull. EC 12-1985, point 2.1.74.

would be to some extent contrary to the common interest, the Commission decided that no assistance could be granted.

Italy

2.1.69. On 8 July the Commission decided to raise no objection to implementation of Act No 44 of 28 February 1986 providing special measures for the promotion and development of new businesses by young entrepreneurs. Assistance is to be granted for cooperatives or companies set up mainly by young persons aged between 18 and 29, operating in the Mezzogiorno and introducing schemes for the production of goods and the supply of services.

When schemes are scrutinized priority will be given to those which develop local resources and involve craft industries, the production and transfer of new agricultural technologies, energy saving and business services, particularly accounting, marketing and management consulting, located in areas where unemployment is highest.

2.1.70. On 22 July the Commission decided to raise no objection to implementation of Act No 710 of 28 March 1985 providing assistance for manufacturing. The Act amended Presidential Decree No 902 of 9 November 1976 concerning subsidized loans to firms in central and northern Italy. Under Section 1 of the Act, aid may be granted until present funds, a final LIT 400 000 million, are used up.

Industry aids

Steel tubes

Belgium

2.1.71. On 29 July the Commission decided to initiate the procedure under Article 93(2) in respect of aid granted by the Belgian Government to a steel tube manufacturer.

It considered that the assistance was unlawful since it had been granted without prior

approval and that, given the difficult situation in the industry, none of the exceptions under Article 92(3) applied.

Italy

2.1.72. On 20 August the Commission decided to raise no objection to the grant of premiums totalling LIT 125 000 million to encourage capacity closures by iron and steel foundries and welded tube manufacturers in Italy.

The Article 93(2) procedure was, however, initiated in respect of assistance totalling LIT 70 000 million for restructuring and conversion programmes operated by seamless tube manufacturers. Since it had no detailed information on the investment concerned or on the viability prospects of the recipient firms, the Commission took the view (given the very delicate situation in the industry) that this aid scheme was likely to have an adverse effect on trading conditions to an extent contrary to the common interest.

Pharmaceuticals

Belgium

2.1.73. On 29 July the Commission decided to initiate the Article 93(2) procedure in respect of the Belgian Government's aid to pharmaceutical firms.

Since the aid had not been notified in advance, the Commission took the view that under Community law it had been unlawful from its introduction. Furthermore, on the basis of the information in its possession it considered that the aid did not qualify for any of the derogations under Article 92(3).

Flat glass

Belgium

2.1.74. On 29 July the Commission adopted a final Decision under Article 93(2) prohibiting the Belgian Government from

granting assistance to a glass manufacturer at Auvélais pursuant to the Act of 7 July 1959. The investment concerned the renovation of two flat glass floats and cuts in energy consumption.¹

The Commission believes that periodic renovation of a float would normally be regarded as a replacement investment and that energy-saving investments made in conjunction with such renovation are generally carried out without any need for incentives in the form of aid. It therefore considered that the scheme did not satisfy the tests for the only possible derogation (Article 92(2)(c)), since the assistance did not facilitate development of the industry without adversely affecting trading conditions to an extent contrary to the common interest.

Furniture

France

2.1.75. On 8 July the Commission decided to initiate the procedure under Article 93(2) in respect of the reintroduction of a French aid scheme for furniture manufacturers financed by parafiscal charges.

In 1982 the Commission took the view that a similar scheme qualified for a temporary derogation, provided that the aid was progressively reduced and an annual report submitted to the Commission so that it could review its position in the light of developments in the industry. The French authorities did not comply with these conditions.

In addition, this latest scheme was not notified in advance so the Commission regarded it as unlawful under Community law from the time of its introduction. It also considered, the information available to it, that the scheme could not qualify for any derogation under Article 92(3).

Leather and footwear

France

2.1.76. On 8 July the Commission decided to initiate the Article 93(2) pro-

cedure in respect of the reintroduction of a French aid scheme for the leather and footwear industry financed by parafiscal charges.²

Since the scheme was not notified in advance, under Community law it was unlawful from the time of its introduction. The Commission also considered, on the information available, that it failed to qualify for any derogation under Article 92(3).

Chemicals and metalworking

France

2.1.77. On 8 July the Commission decided to initiate the procedure of Article 93(2) in respect of an unnotified French aid scheme for a new firm manufacturing copper sheet for printed circuits.

On the information available to it, the Commission took the view that the assistance was incompatible with the common market.

Machine tools

France

2.1.78. On 16 July the Commission decided to terminate the Article 93(2) procedure it had initiated in respect of an aid scheme for the French machine-tool industry.³ The procedure had been initiated because the Commission did not have the information it needed to assess whether the scheme qualified for derogation under Article 92.

In the course of the procedure the French Government supplied the necessary information, including figures on cuts in staff and production. In reading its decision the Commission considered that the restructuring being carried out was in line with its own views on the machine-tool industry (communicated to the Community insti-

¹ Bull. EC 9-1984, point 2.1.35.

² OJ L 14, 17.1.1974.

³ Bull. EC 2-1983, point 2.1.38.

tutions and the two sides of industry in 1983)¹ and with the paper on advanced manufacturing equipment in the Community sent to the Council on 21 March 1985.²

Trailers and semi-trailers

France

2.1.79. On 29 July the Commission decided to initiate the Article 93(2) procedure in respect of aid totalling FF 21 million which the French Government had failed to notify, granted in the form of a capital injection to a manufacturer of trailers and semi-trailers.

Since the French authorities had supplied no information on the scheme, and given the overcapacity in the industry, the Commission took the view that the aid was incompatible with the common market and did not qualify for any derogation under Article 92(3).

Automobiles

France

2.1.80. On 29 July the Commission decided to initiate the Article 93(2) procedure in respect of the French Government's unnotified aid scheme taking the form of a FF 3 000 million fresh capital injection for 1986 to be granted to a group manufacturing private and commercial vehicles.

On the basis of the information in its possession and in the light of the group's financial situation, the Commission considered that the scheme must be regarded as aid within the meaning of Article 93(1) and did not qualify for any derogation under Article 92(3).

Domestic electrical appliances

France

2.1.81. On 29 July the Commission decided to initiate the Article 93(2) pro-

cedure in respect of a series of aid measures notified by the French Government; the assistance was to be granted to a company manufacturing mainly washing machines. On the basis of the information supplied by the French authorities, the Commission considered the measures to be incompatible with the common market, particularly since the industry was suffering from overcapacity.

Shipbuilding

2.1.82. On 19 August the Commission transmitted to the Council a communication containing a new aid strategy for shipbuilding in the Community.³ This paper sets out a policy focusing on increased competitiveness in certain areas with a view to maintaining in the Community a core of sound and efficient activities which can uphold the industry in the future. For the aid code to replace the fifth Directive on aid to shipbuilding,⁴ the Commission is proposing a differentiated approach comprising two basic types of aid: production aid and restructuring aid.

The new rules would apply for five years. Transitional provisions will be introduced for Spain and Portugal, since the restructuring process is less advanced in the new Member States.

The Commission envisages setting a specific ceiling on production aid (on the basis of data collected by independent experts following consultation with the Member States) to offset the difference between the costs of the most competitive European yards and the prices asked by their Japanese and Korean competitors. The assistance will thus be granted only to Community yards where it can serve a useful purpose, i.e. those that are in fact likely to become really competitive again. The ceiling will be

¹ Bull. EC 2-1983, point 2.1.26.

² Supplement 6/85 — Bull. EC; Bull. EC 4-1985, point 1.1.1 *et seq.*

³ COM(86) 324 final.

⁴ OJ L 137, 23.5.198; OJ L 371, 30.12.1982; OJ L 2, 4.1.1985.

applied to the sum of direct and indirect aids that may be granted for a given order. The Commission will take steps to ensure that transfers to the industry in the Member States are really transparent.

Where restructuring aid is concerned, the Commission intends to encourage structural adjustment of the industry to world market conditions, including the dismantling of surplus capacity. State aid in support of total or partial closure of installations or to back investment in restructuring and innovation (without any increase in capacity) will be permitted, though the Commission will exercise strict supervision.

The Commission will finalize a proposal for a directive in October and at the same time put forward a set of industrial, social and regional measures designed to make a Community contribution to conversion efforts in shipbuilding areas.

Italy

2.1.83. On 2 July the Commission decided to initiate the Article 93(2) procedure in respect of a proposed Italian Government aid scheme for the shipbuilding and repair industry. The scheme falls under Section 10 of Act No 111 of 22 May 1985 and provides for a 12.5% subsidy on the value of certain stocks of raw materials and semifinished and finished products for large shipbuilding and repair yards.

As things stand the Commission believes that this scheme could amount to operating aid liable to slow down the restructuring process which was the *quid pro quo* for its authorization of the aid scheme now being applied.¹

State monopolies of a commercial character

Adjustment of French oil monopoly

2.1.84. In 1979, when the French Government reformed its State oil monopoly, it agreed with the Commission objective cri-

teria for licensing oil distributors.² The criteria cover the legal form of the distributors, their possession of satisfactory technical (particularly storage) facilities in relation to their sales volume, and the submission of firm three-year supply plans under which most of their supplies are covered by medium-term contracts. The licensed distributors are allowed, however, to obtain a significant proportion — not less than 20% — of their supplies on the spot market.

The Commission received a complaint from an oil company that was seeking a licence to sell jet fuel at Paris-Roissy airport. The company had been refused such a licence in 1982 and was afraid of being again refused in the 1986 licensing round because of a restrictive interpretation of the licensing criteria.

During its investigation of the complaint the Commission found that the Paris airports authority had, with the Government's approval, changed the requirements for jet fuel distributors so that only those holding a licence for importing and refining crude oil could be licensed to distribute jet fuel at the airports. This meant that to obtain a licence, a company had to have refining facilities in France. Judging that this requirement went beyond the criteria that had been agreed in 1979, the Commission pressed the French authorities in accordance with Articles 90 and 86 to drop the new requirement.

As a result, the French Government has now informed the Commission via the Paris airports authority that the additional requirement has been removed with effect from 1 March 1986. As regards the second aspect of the complaint — the objective and non-discriminatory application of the licensing criteria — the complainant has been granted a licence by a decree issued on 27 June.

¹ Bull. EC 7/8-1985, points 2.1.61 and 2.1.63.

² Bull. EC 6-1979, point 2.1.37.

Thus, following the Commission's intervention, both the formal criteria for licensing oil distributors and the manner in which these criteria are applied in practice have been changed to the satisfaction of the complainant.

Public undertakings

Modems in Germany

2.1.85. After intervention by the Commission under Article 90(1) in conjunction with Articles 37 and 86, the Federal Republic of Germany has agreed to allow modems — both separate and built into other equipment such as personal computers — to be supplied direct by suppliers other than the national posts and telecommunications authority, Deutsche Bundespost.

Deutsche Bundespost previously had a monopoly in supplying any modem to be connected to the public telephone network. This meant that users could not always obtain the type of modem best suited to their needs and that only the market for modems to be used in private networks was open to suppliers of devices imported from other Member States.

The Commission considered that the German rules giving Deutsche Bundespost a monopoly to supply modems were caught by Article 90(1) in conjunction with Article 37 because they denied users a choice between equipment available from different suppliers and closed a very large part of the market to direct access by such suppliers. The tying of the sale or leasing of modems to the provision of network services was an abuse of a dominant position under Article 86.

After the Commission had made these objections clear to the German Government, the latter agreed to amend its rules and to publish technical specifications for modems applicable to domestic and imported products alike. Suppliers other than Deutsche Bundespost will now be able to deliver modems (both separate and built-

in devices) for connection to the public telephone network.

The Commission is continuing its scrutiny for compatibility with the Treaty of monopolies held by Member States' posts and telecommunications authorities in supplying terminal equipment to be connected to the telephone network. Its general position is that claiming a monopoly in the supply of terminal equipment infringes Article 37(2) as it restricts imports from other Member States.¹

Financial institutions and taxation

Financial institutions

Banks and other financial institutions

2.1.86. On 7 August the Commission sent the Council a proposal for a Directive on the obligations of branches established in a Member State by credit institutions and financial institutions having their head offices outside that Member State regarding the publication of annual accounting documents.² The proposal, which supplements the proposal for an 11th company law Directive, sent to the Council at the same time (→ point 2.1.16), is another step towards establishing rules for credit and financial institutions that create conditions similar to those on a domestic market. For the purposes of accounting requirements, branches of credit institutions and financial institutions having their head offices in another Member State must be treated in the same way as branches of institutions having their head offices in the same Member State.

¹ In the light of Article 37, the Federal Republic abandoned its plans to extend the Bundespost monopoly to cordless telephones: Bull. EC 3-1985, point 2.1.43.

² OJ C 230, 11.9.1986; COM(86) 396 final.

This means that all branches established in the Community must publish only the documents relating to the annual accounts of the credit institution or financial institutions as a whole. To continue to require the branches of foreign credit or financial institutions to publish separate accounts, as some Member States still do, will no longer be possible. However, so as to take account of some Member States' need for extra information at the present stage of integration, Member States may, pending further coordination, require the publication of a few additional details on the activity of the branch.

Branches of credit institutions or financial institutions having their head offices in non-member countries are subject to the same principles, as long as the accounting documents published are the same as or equivalent to Community accounting documents. Only if the documents are not equivalent may the Member States require the branches to produce separate accounts.

2.1.87. On 2 July the Economic and Social Committee gave a favourable opinion (→ point 2.4.42) on the proposal for a Directive on the coordination of laws, regulations and administrative provisions relating to the reorganization and the winding up of credit institutions.¹

Stock exchanges and other institutions in the securities field

2.1.88. On 2 July the Economic and Social Committee gave a favourable opinion (→ point 2.4.41) on the proposal for a Directive on information to be published when major holdings in the capital of a listed company are acquired or disposed of.²

Taxation

Indirect taxes

Turnover taxes

Special scheme for small and medium-sized businesses

2.1.89. In July the Commission adopted for transmission to the Council a proposal

for a Directive on the harmonization of the laws of the Member States to ensure greater convergence of systems of value-added tax;³ the proposal sets new exemption limits and simplifies procedures for charging and collecting VAT from small firms. The proposal therefore amends Article 24 of the sixth VAT Directive of 17 May 1977,⁴ which concerns special schemes for small businesses.

Under the proposed new exemption limits, Member States would be free to exempt firms with an annual turnover of less than 35 000 ECU, and would be obliged to exempt firms with a turnover of less than 10 000 ECU. The proposed simplified VAT procedures for small firms mainly involve flat-rate percentages for charging and collecting VAT, applicable to all firms, whatever their size, with an annual turnover of less than 150 000 ECU. The objective is to relieve such businesses of excessive administrative costs by simplified accounting.

The proposal is in line with the Commission's priority objectives: internal market⁵ and renewed growth,⁶ the latter following on from the former, which assign a special role to small businesses as the optimum expression of the spirit of enterprise and individual effort. In this context, and in accordance with instructions from the European Council,⁷ the Commission is launching a series of initiatives intended to create an administrative and legal environment more propitious to the establishment and development of small businesses.

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2.1.90. On 21 July the Council authorized the United Kingdom under the tenth VAT

¹ OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.81.

² OJ C 351; 31.12.1985; Bull. EC 12-1985, point 2.1.83.

³ COM(86) 444 final.

⁴ OJ L 145, 13.6.1977.

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

⁶ OJ L 377, 31.12.1985; Bull. EC 10-1985, point 1.3.1 *et seq.*

⁷ Bull. EC 3-1985, point 1.2.3; Bull. EC 11-1985, point 1.1.1 (Conclusions of the Presidency on the economic and social situation); Bull. EC 6-1986, point 1.1.4.

Directive¹ to apply flat-rate measures in respect of the non-deductible value-added tax charged on fuel expenditure in company cars.²

Tax exemption

Duty-free admission of fuel

2.1.91. On 10 July the Commission sent the Council two proposals for Directives:³

(i) the first amends for the second time⁴ the Directive of 28 March 1983 (83/181/EEC)⁵ determining the scope of Article 14(1)(d) of the sixth Directive⁶ as regards exemption from VAT on the final importation of certain goods;

(ii) the second amends the Directive of 19 July 1968 (68/297/EEC)⁷ on the standardization of provisions regarding the duty-free admission of fuel contained in the fuel tanks of commercial motor vehicles.

The purpose of the two proposals is to increase from 200 litres to 600 litres the duty-free allowance for fuel contained in the standard fuel tanks of commercial motor vehicles used for goods transport and travelling inside the Community. In July 1985 the Council had already approved an increase in the allowance for fuel in the tanks of commercial vehicles transporting passengers (i.e. coaches)⁸ and had undertaken to increase the allowance for goods transport vehicles in 1986.

Employment, education and social policy⁹

Employment

Employment and the labour market

2.1.92. An agreement was signed on 1 July between the Agence nationale pour l'emploi in France and the Bundesanstalt für Arbeit in the Federal Republic of Germany for the purpose of facilitating the movement of

workers in frontier areas. The agreement has its legal basis in Council Regulation (EEC) No 1612/68 of 15 October 1968 on freedom of movement for workers within the Community,¹⁰ and it should further the improved transparency of the European labour market achieved by the European System for the International Clearing of Vacancies and Applications for Employment.

Financial instruments

European Social Fund

2.1.93. On 30 July the Commission laid down¹¹ the rates of assistance from the European Social Fund towards expenditure on recruitment and employment premiums for 1987 as referred to in Article 1(c) of Council Regulation (EEC) No 2950/83 of 17 October 1983 on the implementation of Decision 83/516/EEC.¹² The rates per person per week are as follows:

Belgium	BFR	1 656
Denmark	DKR	423
Germany (FR)	DM	101
Greece	DR	2 649
Spain	PTA	5 000
France	FF	233
Ireland	IRL	26.75
Italy	LIT	48 100
Luxembourg	LFR	2 433
Netherlands	HFL	103
Portugal	ESC	1 916
United Kingdom	UKL	23.50.

¹ OJ L 208, 3.8.1984.

² OJ L 212, 2.8.1986.

³ OJ L 183, 22.7.1986; COM(86) 383 final.

⁴ OJ L 183, 16.7.1985; Bull. EC 7/8-1985, point 2.1.77.

⁵ OJ L 105, 23.4.1983; Bull. EC 3-1983, point 2.1.45.

⁶ OJ L 145, 13.6.1977.

⁷ OJ L 175, 23.7.1968.

⁸ OJ L 183, 16.7.1985; Bull. EC 6-1985, point 2.1.62.

⁹ For the social aspects of research in the steel industry, see point 2.1.28.

¹⁰ OJ L 257, 29.10.1968.

¹¹ OJ L 237, 23.8.1986.

¹² OJ L 289, 22.10.1983; Bull. EC 10-1983, point 2.1.57.

Measures for ECSC workers

2.1.94. On 29 July the Commission approved a further batch of aid measures under Article 56(2)(b) of the ECSC Treaty to help 23 149 workers affected by closures or cutbacks in the coal and steel industries, as shown in Table 8.

Educational and vocational training

New technologies

2.1.95. On 24 July the Council formally adopted¹ a Decision adopting the programme on cooperation between universities and enterprises regarding training in the field of technology (Comett).²

The Council had approved the Decision in June.³

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2.1.96. At the invitation of the United Kingdom and with the cooperation of the Commission a meeting of the senior officials for secondary education in the Member States was held in Oxford from 2 to 4 July. The following topics were discussed: introduction of the new information technologies in secondary school systems; ques-

tions relating to the specific education and training of young people in difficulty; in-service teacher training.

2.1.97. The working party of national officials responsible for the new information technologies in education met on 7 July together with the directors of the information centres belonging to the Euryclée network.⁴ The Commission's draft initial report, prepared for the Education Committee on the basis of the resolution adopted by the Council and Ministers of Education meeting within the Council on 19 September 1983,⁵ was discussed. The report deals with the progress achieved between 1983 and 1985 on the introduction of new information technologies in education both at Community and national level.

Special attention was paid to the third chapter of the draft report since it contains a work programme for 1986-87 for the pro-

¹ OJ L 222, 8.8.1986.

² OJ C 234, 13.9.1985; Bull. EC 7/8-1985, point 1.6.1 *et seq.*; OJ C 336, 28.12.1985; Bull. EC 11-1985, point 2.1.78.

³ Bull. EC 6-1986, point 2.1.106.

⁴ Specialized network on the new information technologies in education.

⁵ OJ C 256, 24.9.1983; Bull. EC 6-1983, point 2.1.82.

Table 8 — *Redeployment aid to workers in the coal and steel industries*

	Coal industry		Steel industry	
	Amount (ECU)	Workers	Amount (ECU)	Workers
Germany	7 000 250	1 829	15 819 500	5 149
France	—	—	7 455 000	1
Italy	—	—	15 757 500	6 870
United Kingdom	38 202 500	8 529	4 469 250	772
Total	45 202 750	10 358	43 501 250	12 791

¹ Additional grant for 17 062 workers receiving aid granted in 1985.

duction, evaluation and distribution of software.

2.1.98. The third European Summer School¹ on new information technologies in education was held in Ghent, Belgium, from 8 to 15 July. It was organized jointly by the teaching laboratories of Liège and Ghent Universities. In addition to specific recommendations and proposals, a glossary in the nine Community languages on types of software and a description of them has been completed.

2.1.99. Lastly, under the work programme for new information technologies in education,² two European tours were organized in France from 4 to 12 July for some hundred young people aged from 16 to 17 years of age from all the Member States. The purpose of these tours was to familiarize young people with scientific research, make them aware of jobs in research and the areas affected by the new technologies and also to facilitate the access of young people to experiments going on in this field.

Living and working conditions and social protection

The fight against poverty

Accession-related measures

2.1.100. In July Parliament approved³ the proposal for a Decision⁴ extending specific Community action to combat poverty to Spain and Portugal.⁵

2.1.101. The Economic and Social Committee endorsed the proposal referred to above⁴ on 2 July but considered that the budget allocated to the programme as a whole was too small (→ point 2.4.43).

Labour law and industrial relations

2.1.102. On 21 July the Council formally adopted⁶ conclusions on procedures for

informing and consulting the employees of undertakings with complex structures.⁷

The Council had approved these conclusions in June.⁸

Equality between men and women

2.1.103. On 24 July the Council formally adopted⁶ a second resolution on the promotion of equal opportunities for women⁹ which followed the main lines of the Commission's new medium-term programme (1986-90).

The Council had reached agreement in June;¹⁰ this resolution follows on from that of 12 July 1982 on the first Community action programme on the promotion of equal opportunities for women (1982-85).¹¹

2.1.104. On 24 July the Council formally adopted¹² a Directive on the implementation of the principle of equal treatment for men and women in occupational social security schemes.¹³

The Council had approved this Directive in June.¹⁴

Social integration of handicapped persons

2.1.105. On 24 July the Council formally adopted¹² a recommendation on the employment of disabled people in the Community.¹⁵

¹ Bull. EC 7/8-1985, point 2.1.90.

² Bull. EC 1-1985, point 2.1.22.

³ OJ C 227, 8.9.1986.

⁴ OJ C 151, 17.6.1986; Bull. EC 5-1986, point 2.1.78.

⁵ OJ L 2, 3.1.1985; Bull. EC 12-1984, point 2.1.95.

⁶ OJ C 203, 12.8.1986.

⁷ OJ C 297, 15.11.1980; Supplement 3/80 — Bull. EC; Supplement 2/83 — Bull. EC; OJ C 217, 12.8.1983; Bull. EC 6-1983, point 1.3.1 *et seq.*

⁸ Bull. EC 6-1986, point 2.1.115.

⁹ Supplement 3/86 — Bull. EC; OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.106.

¹⁰ Bull. EC 6-1986, point 2.1.116.

¹¹ Supplement 1/82 — Bull. EC; OJ C 22, 29.1.1982.

¹² OJ L 225, 12.8.1986.

¹³ OJ C 134, 21.5.1983; Bull. EC 4-1983, point 2.1.71.

¹⁴ Bull. EC 6-1986, point 2.1.117.

¹⁵ OJ C 136, 4.6.1986; Bull. EC 1-1986, point 2.1.66.

The Council approved the recommendation in June.¹

Social protection

2.1.106. On 6 August² the Commission transmitted to the Council a Communication entitled 'Problems of social security—areas of common interest'. This communication, the second on the subject,³ follows on from the conclusions adopted by the Council on 22 June 1984 concerning a Community medium-term social action programme.⁴

The Commission identified three problem areas arising from the financing of current or projected needs in terms of social protection expenditure, the implications of demographic trends, and the worsening problem of 'marginalization' (the new poor) which is affecting or threatening a considerable number of people in the Member States.

In this connection the Commission made a number of proposals, including:

- (i) with regard to financing, the possibility of changing the relative proportions in which charges are levied, both with regard to industry and between industry and households;
- (ii) with regard to demography, the launching of a campaign to make public opinion aware of the various aspects of current population trends and their economic and social impact;
- (iii) with regard to marginalization, introducing a minimum social income.

Social security for migrant workers

2.1.107. The new model E forms needed for the purposes of Council Regulations (EEC) Nos 1408/71⁵ and 574/72⁶ on the application of social security schemes to employed persons and their families moving within the Community were published in the *Official Journal*.⁷ The 57 new models—available in all the official languages

—include the appropriate changes for use in the enlarged Community.

2.1.108. In July Parliament approved⁸ the proposal⁹ to amend Regulations Nos 1408/71⁵ and 574/72⁶ on the application of social security schemes to employed persons and their families moving within the Community.

Accession-related measures

2.1.109. On 3 July the Economic and Social Committee endorsed the proposal for a Regulation¹⁰ amending Regulation Nos 1408/71⁵ and 574/72⁶ with a view to making the technical adaptations necessitated by the enlargement of the Community to include Portugal and Spain (→ point 2.4.44).

Paul Finet Foundation

2.1.110. In July and August the Executive Committee of the Paul Finet Foundation examined 70 applications and awarded 64 grants for a total of BFR 1 170 282.

Family policy

2.1.111. On 8 July Parliament adopted a resolution on one-parent families (→ point 2.4.14).⁸

Health and safety

Public health

2.1.112. On 7 July the Council and the Representatives of the Governments of the

¹ Bull. EC 6-1986, point 2.1.119.

² COM(86) 410 final.

³ Bull. EC 11-1982, point 2.1.50.

⁴ OJ C 175, 4.7.1984; Bull. EC 6-1984, point 2.1.43.

⁵ OJ L 149, 5.7.1971.

⁶ OJ L 74, 27.5.1972.

⁷ OJ L 192, 15.7.1986.

⁸ OJ C 227, 8.9.1986.

⁹ OJ C 103, 30.4.1986; Bull. EC 4-1986, point 2.1.70.

¹⁰ OJ C 71, 26.3.1986; Bull. EC 3-1986, point 2.1.79.

Member States meeting within the Council formally adopted¹ a resolution on a programme of action against cancer.²

2.1.113. On 6 August the Commission sent the Council a recommendation³ for a Decision on Community participation in the preparatory work for and the proceedings of the International Conference on Drug Abuse and Illicit Trafficking, which is to be held in Vienna from 17 to 26 June 1987 under the auspices of the United Nations.

The Conference, concerned by the UN Secretary-General, Mr Pérez de Cuéllar, should result in adoption of a multidisciplinary outline to combating the production, processing, trafficking and abuse of drugs.

The conclusions of various European Councils, particularly the one held in The Hague on 26 and 27 June,⁴ and the work of Parliament have led the Commission to recommend to the Council that the Community as such should participate in the Conference and that accordingly it should adopt a Community action programme as the Community's contribution to the Conference.

The action programme proposed by the Commission includes three types of measures:

- (i) Community measures as part of North-South cooperation (policy discussions, research and studies, development micro-projects, exchanges of information and experience, cooperation with the United Nations Fund for Drug Abuse Control, etc.);
- (ii) Community participation in conventional international instruments (mutual assistance agreements, preparation of a new international convention);
- (iii) intra-European cooperation (prevention and treatment of drug abuse, harmonization of legislation).

2.1.114. In response to the wishes expressed by Parliament in its resolution of May

1982 on the combating of drugs⁵ and the five resolutions it adopted in October 1985 on action to combat drug abuse,⁶ the Commission has published a report on 'Illicit and psychotropic drugs—An educational manual for secondary-school teachers in the Member States of the European Community'. The report contains five basic lessons with an Annex listing the specialized organizations and institutions in the Member States from which the teaching profession can obtain information and additional educational material.

Health and safety at work

2.1.115. On 12 August the Commission convened a select working party of experts from the Member States with a view to revising the European list of occupational diseases (Annex I to the Commission recommendation of 23 July 1962 to Member States concerning the adoption of a European list of occupational diseases).⁷ The new list will be annexed to the draft recommendation⁸ updating the existing one, the draft already having been approved by the Advisory Committee on Safety, Hygiene and Health Protection at Work.

Health and Safety (Euratom)

2.1.116. As it undertook to do in its outline communication on the consequences of the Chernobyl accident,⁹ the Commission transmitted to the Council, on 20 August, a communication on the development of the measures taken by the Community under

¹ OJ C 184, 23.7.1986.

² OJ C 336, 28.12.1985; Bull. EC 11-1985, point 2.1.85; Bull. EC 5-1986, point 2.1.97.

³ COM(86) 457 final.

⁴ Bull. EC 6-1986, point 1.1.6.

⁵ OJ C 149, 14.6.1982; Bull. EC 5-1982, point 2.1.50.

⁶ OJ C 262, 14.10.1985; Bull. EC 9-1985, point 2.1.62.

⁷ OJ 80, 31.8.1962.

⁸ Bull. EC 3-1986, point 2.1.84.

⁹ Bull. EC 6-1986, point 2.1.241 *et seq.*

Chapter III of the Euratom Treaty (→ point 2.1.220 *et seq.*).

2.1.117. Acting under Article 33 of the Euratom Treaty, the Commission expressed a favourable opinion on a draft Decree on radiation protection prepared by France in pursuance of the Council Directives of 15 July 1980¹ and 3 September 1984² amending the Directives laying down the basic safety standards for the protection of the health of workers and the general public against the dangers arising from ionizing radiation.

2.1.118. Pursuant to Article 37 of the Euratom Treaty, the Commission delivered opinions concerning discharges of radioactive effluents from two nuclear plants—the power station at Brokdorf in the Federal Republic of Germany and the fuel disposal workshop attached to the power station at Creys-Malville in France.

A people's Europe

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

Free movement of citizens

Immediate measures

2.1.119. On 14 July the Representatives of the Governments of the Member States meeting within the Council adopted a resolution³ supplementary to the resolutions of 23 June 1981⁴ and 30 June 1982⁵ concerning the introduction of a passport of uniform pattern.

This latest resolution provides that Spain and Portugal will endeavour to issue the passport in accordance with the uniform format by 1 January 1989 at the latest and

that Spanish and Portuguese will be used in the passport along with the other official Community languages.

Health and social welfare

Action against cancer

2.1.120. On 7 July the Council and the Representatives of the Governments of the Member States meeting within the Council formally adopted the resolution on a programme of action of the European Communities against cancer.⁶ Agreement in principle had been reached last May⁷ at the meeting of the Council and of the Ministers of Health meeting within the Council.

Regional policy

Financial instruments

European Regional Development Fund

ERDF grants

Project financing

2.1.121. On 7 July the Commission approved the fifth allocation of grants for 1986 from the European Regional Development Fund:⁸ 334.18 million ECU for 1 433 projects costing less than 5 million ECU each and involving a total cost of 943.02 million ECU.

The assistance granted under this allocation is distributed as shown in Table 9.

¹ OJ L 246, 17.9.1980; Bull. EC 7/8-1980, point 2.1.54.

² OJ L 265, 5.10.1984; Bull. EC 9-1984, point 2.1.55.

³ OJ C 185, 24.7.1986.

⁴ OJ C 241, 19.9.1981; Bull. EC 6-1981, point 2.1.17.

⁵ OJ C 179, 16.7.1982; Bull. EC 6-1982, point 2.1.22.

⁶ OJ C 184, 23.7.1986.

⁷ Bull. EC 5-1986, point 2.1.97.

⁸ Fourth allocation: Bull. EC 6-1986, point 2.1.137.

Table 9 — ERDF grants: fifth 1986 allocation

	Number of grant decisions	Number of investment projects	Investment assisted (million ECU) ¹	Assistance granted (million ECU) ¹
Belgium	1	1	0.33	0.17
Denmark	8	36	14.99	1.03
FR of Germany	—	—	—	—
Greece	10	57	76.04	36.66
Spain	26	72	151.34	71.01
France	6	21	24.86	1.68
Ireland	4	11	15.97	7.01
Italy	55	835	431.82	146.15
Luxembourg	—	—	—	—
Netherlands	—	—	—	—
Portugal	19	213	58.90	27.76
United Kingdom	49	187	168.77	42.71
Total	178	1 433	943.02	334.18

¹ Converted at January 1986 rates.

The total of 334.18 million ECU breaks down as follows:

(i) 109.24 million ECU to help finance 661 projects in the industrial, craft and service sectors;

(ii) 224.94 million ECU to help finance 772 infrastructure projects. This fifth allocation for 1986 brings the number of projects financed since the Fund was set up to 31 337 and the total assistance granted to 15 239.16 million ECU.

Programme financing

2.1.122. In reponse to the views expressed by Parliament,¹ the Commission amended² on 10 July for the second time³ its proposals for the first two Community programmes to be part-financed by the ERDF: the STAR programme⁴ (improving access to advanced telecommunications services) and the Valoren programme⁵ (exploiting indigenous energy potential). The amendments are intended to improve the way the programmes fit in with other types

of Community assistance (research and development, European Social Fund training grants, and loans from the European Investment Bank and the NCI), and they widen the range of recipients to include cooperatives.

For the STAR programme, the Commission has adopted Parliament's suggestion of setting a ceiling on the Fund's contribution to programme studies and has introduced a provision concerning the compatibility of assistance programmes when the Community programme concerns regions on either side of a border between two Member States. The amendments to the Valoren programme include changes in the detailed coverage of the measures (industrial waste, production processes, forestry by-products being added), and an extra condition con-

¹ OJ C 176, 14.7.1986; Bull. EC 6-1986, point 2.1.140.

² OJ C 194, 1.8.1986) COM(86) 432 final for STAR; COM(86) 433 final for Valoren.

³ OJ C 147, 14.6.1986; Bull. EC 5-1986, point 2.1.102.

⁴ OJ C 356, 31.12.1985; Bull. EC 1-1986, point 2.1.81.

⁵ OJ C 358, 31.12.1985; Bull. EC 1-1986, point 2.1.82.

cerning estimates of the new jobs resulting from the measures provided for in the programme.

2.1.123. On 3 July the Economic and Social Committee endorsed (→ point 2.4.45.) the proposal for the STAR programme¹ and the first amendment.²

Financing of studies

2.1.124. Acting under Article 24 of the Fund Regulation, the Commission decided on 1 August to grant UKL 11 500 towards a study of ways of converting old industrial buildings in Calderdale district, West Yorkshire, in the United Kingdom.

Fund Committee

2.1.125. The Fund Committee met on 10 July to give its opinion on the draft grant decisions under the sixth 1986 allocation.

Conversion measures

2.1.126. On 6 August the Commission transmitted to the Council and Parliament a communication on stronger Community structural measures to assist steel restructuring areas (→ point 2.1.29.). On 16 July it decided to amend the operating principles for the grant of conversion loans under Article 56 (2)(a) of the ECSC Treaty (→ point 2.1.30.)

Business and innovation centres

2.1.127. On 25 July the Commission decided to make financial contributions to three conversion projects in declining industrial areas: 150 000 ECU to Dublin, in Ireland, 130 000 ECU to the region of Auvergne, in France, and 250 000 ECU to Strathclyde, in the United Kingdom.

These projects involve measures for the preparation, starting-up or completion of three business and innovation centres to provide a full range of support services for small firms or new innovative activities in the areas in question.

Disaster relief

2.1.128. On 14 July the Commission decided to grant emergency aid of 175 000 ECU to assist the families of the 18 victims of the forest fires that destroyed 8 000 ha of forest at Tondela (Beira Alta) and Agueda (Beira Litoral) in the centre of Portugal.

*

2.1.129. On 11 July Parliament adopted a resolution on the efficiency of national regional policy instruments and another on action taken on its regional policy resolutions since 1979 (→ point 2.4.14.).³

Coordination of structural instruments

Integrated Mediterranean programmes

Formal approval by the Commission

Crete

2.1.130. On 29 July, after receiving a favourable opinion from the Advisory Committee on IMPs, the Commission formally approved the integrated Mediterranean programme for Crete.⁴ In accordance with Article 9 of the Council Regulation of 23 July 1985 setting up the IMPs,⁵ it also adopted the programme contract under which the IMP is to be implemented. The contract sets out the respective commitments of the parties concerned in implementing the programme (Commission, Greek national and regional authorities, etc.).

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

² OJ C 147, 14.6.1986; Bull. EC 5-1986, point 2.1.102.

³ OJ C 227, 8.9.1986.

⁴ Bull. EC 6-1986, 2.1.142.

⁵ OJ L 197, 27.7.1985; Bull. EC 7/8-1985, point 2.1.106.

Preparatory pilot actions

2.1.131. On 13 August the Commission adopted four Decisions instituting in the Italian regions of Basilicata, Sicily, Tuscany and Calabria four pilot actions in preparation for the IMPs.¹

Content of the integrated approach and procedures for implementing it

2.1.132. On 31 July the Commission sent the Council and Parliament a communication on the content of the integrated approach and the procedures for implementing it.² The document seeks to clarify and set out the objectives and scope of the integrated approach, the criteria for deciding on Community support and the procedures which will be followed in assessing applications for integrated operations. It was drawn up in response to a request made by the Council on 19 June 1984, in adopting the new ERDF Regulation, 'to present proposals for the procedural provisions necessary for the implementation of integrated operations'.³

In so far as the procedures and content set out by the Commission in its information note fall within the framework of existing regulations, the approach thus determined can be implemented immediately.

The integrated operations decided on should bring about a tangible improvement in the operation of the administrative authorities in the regional development process, thanks in particular to the fruitful collaboration they will promote between the Commission departments and the national and local authorities concerned.

Integrated measures to assist steel-producing areas

2.1.133. On 6 August the Commission sent the Council and Parliament an action programme setting out stronger Community structural measures to assist steel restructuring areas (→ point 2.1.29).

Environment and consumers

Environment

European Year of the Environment (EYE)

2.1.134. Work is continuing in preparation for EYE, which is intended to ensure that people in Europe are made more aware of the fact that what they do today has a long-term effect on the environment. On 17 July the EYE Steering Committee met for the second time, in Brussels.⁴ The chairman of the national committees thus had an opportunity to give a progress report on the awareness campaigns proposed by each Member State. Progress has been made in examining the various projects to be organized at Community level, including competitions and campaigns relating to specific topics.

The Steering Committee warmly welcomed the announcement that King Juan Carlos of Spain had agreed to be a member of the committee of patrons.

Action by the Community relating to the Environment (ACE)

2.1.135. Under the Council Regulation of 28 June 1984⁵ and Article 661 of the 1986 budget (Community operations concerning the environment), on 25 July the Commission decided to grant financial support for six projects providing an incentive which, pursuant to the Directive of 2 April 1979,⁶ will make a contribution towards the maintenance or re-establishment of seriously threatened biotopes which are the habitat of endangered species and are of particular importance to the Community.

¹ OJ L 265, 17.9.1986.

² COM(86) 401 final.

³ OJ L 169, 28.6.1984; Bull. EC 6-1984, point 1.3.11.

⁴ First meeting: Bull. EC 3-1986, point 2.1.101.

⁵ OJ L 176, 3.7.1984; Bull. EC 6-1984, point 2.1.72.

⁶ OJ L 103, 25.4.1979.

The projects in question are to be carried out in France, Italy, Denmark and Greece.

Prevention and reduction of pollution and nuisances

Chemical products

Foreign trade

2.1.136. On 2 July the Commission transmitted to the Council a proposal for a Regulation¹ designed to minimize the risks inherent in the export of certain pesticides and other dangerous chemicals to non-Community countries, particularly developing countries,² and a recommendation for a Decision authorizing the Commission to negotiate on behalf of the Community, within the framework of OECD and UNEP, notification and consultation procedures concerning trade in certain dangerous chemicals.²

Protection and use of resources

Fauna and flora

Washington Convention (CITES)

2.1.137. On a proposal from the Commission³ and after receiving the opinion of Parliament,⁴ on 22 July the Council once again amended⁵ its Regulation of 3 December 1982⁶ on implementation in the Community of the Convention on International Trade in Endangered Species of Wild Fauna and Flora. This amendment takes account of the revised control system for plants listed in Appendices II and III and animals listed in Appendix III to the Convention.

over the Presidency, the Council reached agreement in principle, by a qualified majority, on the establishment of a Community vineyard register in wine-producing Member States (→ point 2.1.148).

It also agreed in principle, by a qualified majority, on an amendment to the measures excluding milk products from inward processing arrangements (→ point 2.1.143).

Agreement was reached in principle, again by a qualified majority, on the Regulation laying down the conditions for applying safeguard measures in respect of new potatoes and seed potatoes coming from non-Community countries and covered by the supplementary trade mechanism (STM) (→ point 2.1.161).

Finally, broad agreement was reached on the Commission proposal on continued imports of New Zealand butter into the United Kingdom on special terms (→ point 2.1.140).

The Council did not, however, agree on the proposal to increase the amount of aid for the sale of social butter or on the proposal to extend entitlement to the most poverty-stricken of the unemployed and of pensioners.⁷

Following a further exchange of views on the question of adjustments to the common organization of the market in beef and veal,⁸ the Council decided to resume discussion in September in order to reach a decision before the end of 1986.

A wide-ranging discussion was also held on certain fundamental issues arising from the proposals on socio-structural measures⁹ which are complementary to the policy of moderate prices, in particular the objective to be attained, the pre-pension system, com-

¹ OJ C 177, 15.7.1986, COM(86) 362 final.

² Bull. EC 2-1986, point 2.1.97.

³ OJ C 272, 11.10.1983; Bull. EC 9-1983, point 2.1.72.

⁴ OJ C 322, 28.11.1983; Bull. EC 10-1983, point 2.1.90.

⁵ OJ L 201, 24.7.1986.

⁶ OJ L 384, 31.12.1982; Bull. EC 12-1982, point 2.1.105.

⁷ Bull. EC 5-1986, point 2.1.127.

⁸ Bull. EC 12-1985, points 2.1.155 to 2.1.158.

⁹ Bull. EC 4-1986, point 1.3.1 *et seq.*

Agriculture

Council

2.1.138. At its meeting of 14 and 15 July, the first since the United Kingdom took

pensatory allowances and environmentally sensitive areas.

It was also agreed to resume discussion, at the September Council meeting, of the rules for calculating monetary compensatory amounts in the eggs and poultry sector.¹

Lastly, the Council exchanged views on the proposal for a Directive to establish Community rules for extraction solvents used in the food industry.²

Economic aspects of the common agricultural policy

Agrimonetary measures

2.1.139. Following the further realignment of central rates within the EMS, in response to the persistent weakness of the Irish pound (→ point 2.1.4), the Commission:

- (i) suspended the advance fixing of the monetary compensatory amounts (MCAs) for Ireland;
- (ii) changed the correcting factor from 1.083682 to 1.097805; and
- (iii) introduced MCAs for Ireland with effect from 6 August.

Since the realignment led to no changes in the bilateral relations between the other currencies, the MCAs for the other Member States were not altered.

Following changes in the market exchange rates for the pound sterling and the Spanish peseta, the MCAs for those two currencies were altered on several occasions.

Market organizations

Milk and milk products

Imports of New Zealand butter

2.1.140. Since 1973 there have been special arrangements for imports of New Zealand butter into the United Kingdom. The

arrangements, introduced by Protocol 18 to the Act of Accession of 1972,³ authorized the United Kingdom to import, on a transitional basis, certain quantities of butter and cheese from New Zealand on special terms from 1973 to 1977. Since then, in a series of decisions adopted by the Council, including the 'Dublin Declaration' by the Heads of Government on 19 March 1975,⁴ there has been an extension of the same exceptional system for imports of butter into the United Kingdom.

On 13 October 1983 the Commission sent the Council a report concerning these imports with a proposal for a Regulation making arrangements for imports from 1984 to 1988 (for 1984, 83 000 tonnes; 1985, 81 000 tonnes; 1986, 79 000 tonnes; 1987, 77 000 tonnes; 1988, 75 000 tonnes).⁵

On 19 December 1983 the Council adopted Regulation (EEC) No 3667/83⁶ covering the import arrangements for the period mentioned above. However, the Regulation set quantities only for 1984 to 1986, taking over the amounts in the Commission's proposal. The special levy was set at 76.39 ECU/100 kg. Also, the Council decided that, on the basis of a Commission proposal, it would act by unanimous procedure to approve, before 1 August 1986, the quantities to be imported for 1987 and 1988.

The Commission sent this report⁷ to the Council on 17 July, together with a proposal for an amendment to the Regulation of 19 December 1983.⁶

The Council adopted this proposal on 22 July⁸ and set the quantities of butter which could be imported from New Zealand at 76 500 tonnes for 1987 and 74 500 tonnes for 1988. The levy was kept at 76.39 ECU/100 kg, but provision was made for this to

¹ Bull. EC 6-1986, point 2.1.171.

² OJ C 312, 17.11.1986; Bull. EC 10-1983, point 2.1.16; OJ C 77, 23.3.1985; Bull. EC 3-1985, point 2.1.11.

³ Sixth General Report, point 6 *et seq.* and point 234.

⁴ Bull. EC 3-1975, point 1104.

⁵ Bull. EC 10-1983, points 2.1.121 and 2.1.122.

⁶ OJ L 366, 28.12.1983; Bull. EC 12-1983, point 2.1.148.

⁷ COM(86) 354 final.

⁸ OJ L 203, 26.7.1986.

be adjusted in the light of the conditions under which intervention for butter takes place in the Community.

The Council also took note of a Commission statement on:

(i) cooperation between New Zealand and the Community and between them and other exporters of milk products on the world market;

(ii) an indication by the New Zealand authorities that they intended to cut milk production in New Zealand.

Special measures for the disposal of milk and milk products

2.1.141. As part of its programme for disposing of milk surpluses, the Commission decided on 30 July¹ to reactivate the Regulation of 23 February 1977 authorizing the sale of skimmed-milk powder held by intervention agencies for use in feed for pigs and poultry.²

The individual tendering procedure held in August under this Regulation enabled about 27 000 tonnes of skimmed-milk powder to be disposed of.

2.1.142. On 30 July the Commission also adopted a Regulation¹ on the sale of intervention butter intended for incorporation in compound feedingstuffs.³ However, the first individual tendering procedure held pursuant to this Regulation, also in August, enabled only a very limited quantity of intervention butter to be sold, at a price of 9.20 ECU/100 kg. The Commission had announced this measure in June as one of its new steps to reduce the very high levels of butter in public storage.³

*

2.1.143. On 21 July the Council, acting on a proposal from the Commission,⁴ amended⁵ its Regulation of 31 March 1984 laying down special measures concerning the exclusion of milk products from inward processing arrangements and from certain usual forms of handling.⁶ However, the

Regulation includes a derogation in respect of trade in whey between Germany and Austria until 1 January 1987.

This amendment had been approved, in principle, by the Council at its meeting of 14 and 15 July.

2.1.144. To enable the baby food industry to obtain supplies of skimmed-milk powder put into storage before the Chernobyl nuclear accident occurred, it was also decided to provide further opportunities for purchasing small quantities of skimmed-milk powder from intervention agencies without any price increase.

Oils and fats

2.1.145. On 30 July the Commission adopted a Regulation fixing for the 1986/87 marketing year the estimated production and the abatement of the amount of subsidy for sunflower seed.⁷ In accordance with the provisions relating to the maximum guaranteed quantities (production in the Community of Ten in 1986/87 is estimated at 1 950 000 tonnes), an abatement of 2.918 ECU/100 kg is to be applied to the amount of subsidy for sunflower seed in 1986/87. It should be noted that the Regulation also contains the estimated production levels for Spain and Portugal but that, since these do not exceed the respective limits fixed by the Council, no reduction will be necessary in the subsidy granted in those Member States.

2.1.146. A Commission Regulation adopted on 31 July established similar estimates for rapeseed, though the quantities involved are such that no abatement is to be applied to the subsidy.⁷

2.1.147. From the 1986/87 marketing year a bonus will be payable on aid for 'double

¹ OJ L 208, 31.7.1986.

² OJ L 52, 24.2.1977.

³ Bull. EC 6-1986, point 2.1.177.

⁴ COM(86) 429 final.

⁵ OJ L 202, 25.7.1986.

⁶ OJ L 90, 1.4.1984.

⁷ OJ L 212, 2.8.1986.

zero' rapeseed. The Commission has set the maximum glucosinolate level for seed to be considered 'double zero' at 20 micromoles per gram of seed. As a transitional measure, for 1986/87 and 1987/88, 'double zero' rapeseed will be allowed to contain up to 35 micromoles of glucosinolates per gram of seed.¹ The Commission also adopted a Community method for determining the level of glucosinolates in rapeseed.¹

Wine

2.1.148. On 24 July the Council adopted a Regulation² establishing a Community vineyard register.³

This register should provide the necessary information on the structure and production of all winegrowing holdings in order to ensure the proper functioning of the common organization of the market in wine, and in particular of the Community arrangements on intervention and planting and the monitoring measures.

The Council had reached agreement in principle on this Regulation at its meeting of 14 and 15 July.

2.1.149. On 29 July the Commission transmitted to the Council a proposal for a Regulation on the common organization of the market in wine⁴ — a consolidating measure.

2.1.150. Among its measures for market management, the Commission adopted, on 30 July, a Regulation on the granting of re-storage aid for table wine for which a long-term storage contract was concluded during the 1985/86 wine year.¹

2.1.151. On 8 August the Commission determined the amount of aid to be granted in respect of the 1985/86 wine year for the use in winemaking of concentrated grape must and rectified concentrated grape must for the purpose of increasing the alcoholic strength of wines⁵

2.1.152. Finally, on 11 August it laid down detailed rules for implementing the system of

aid for the use of concentrated grape must for the manufacture of certain products in the United Kingdom and Ireland and fixed the aid for the 1986/1987 wine year.⁶

Accession-related measures

2.1.153. On 23 July the Commission amended⁷ the Regulation of 28 February 1986⁸ as regards the export refunds on wine, to take account of trade between Spain and non-Community countries.

Beef/veal

2.1.154. Under the arrangements for the sale by tender of intervention beef for Brazil, 200 000 tonnes were awarded during July and August.⁹

2.1.155. To provide more effective support for the beef market, which was experiencing particularly serious difficulties, the Commission adopted the following measures:

- (i) the introduction from 1 September of a system of private storage aid; and
- (ii) intervention purchasing of hind-quarters¹⁰ instead of forequarters,¹¹ also with effect from 1 September.

Sheepmeat

2.1.156. On 4 July the Commission set the buying-in prices for France, to apply during the period from 15 July to 15 December 1986.¹² This measure, however, does not necessarily mean that there will be buying-in during that period.

¹ OJ L 210, 1.8.1986.

² OJ L 208, 31.7.1986.

³ Bull. EC 12-1985, point 2.1.166.

⁴ COM(86) 408 final.

⁵ OJ L 228, 14.8.1986.

⁶ OJ L 225, 12.8.1986.

⁷ OJ L 201, 24.7.1986.

⁸ OJ L 60, 1.3.1986.

⁹ OJ L 189, 11.7.1986; OJ L 237, 23.8.1986.

¹⁰ OJ L 241, 27.8.1986.

¹¹ OJ L 120, 8.5.1986.

¹² OJ L 182, 5.7.1986.

2.1.157. On 8 August the Commission determined the estimated loss of income and the estimated level of the premium payable per ewe and per female goat for the 1986 marketing year in the various regions of the Community.¹ On this basis, the Member States can make an advance payment to producers operating in certain less-favoured areas.

Eggs and poultrymeat

*Market situation*²

2.1.158. The Community market in eggs is experiencing grave difficulties which, in the second quarter of 1986, became as serious as those in 1982 and 1983. However, the gradual recovery of prices in August and the steady fall in the price of feed have somewhat alleviated the situation. It will, none the less, continue to be a cause of concern for the rest of the year because of a decline in demand on both Community and world markets. Exports are still well down on 1985, in spite of increased refunds.

The internal market in poultrymeat appears stable, at least for chicken, which accounts for two thirds of total production. The market in turkey and duck, on the other hand, shows an increase in production which exceeds growth in demand in most Member States. The world market is still shrinking, resulting in a 10% fall in Community exports of chicken in the first half of 1986 compared with the corresponding period in 1985.

Hops

*Market situation*³

2.1.159. The process of adjusting supply to demand continued in 1985/86, on both Community and world markets. The Community harvest in 1985 was lower than in 1984 (44 500 compared with 46 000 tonnes); when measured in terms of alpha acid the reduction was yet more pronounced (2 543 tonnes compared with 3 160 tonnes) as the average alpha acid content fell from its 1984

level of 6.84% to 5.70%. Exceptionally high stock levels remained the major problem overhanging the markets as the alpha acid production from the 1984 harvest had the effect of adding yet further to the accumulated surpluses (estimated world stocks on the eve of the 1985 harvest were up some 2 500 tonnes to 98 000 tonnes; Community stocks up 3 500 tonnes to 25 000 tonnes). The Community area fell to 25 750 hectares from 26 250.

2.1.160. To support hop-growers' incomes for 1985, the Council adopted on 24 July,⁴ on a proposal from the Commission⁵ and after consulting Parliament,⁶ a Regulation fixing a per hectare income aid. To take account of the differing fortunes of the three variety groups in 1985/86, this income aid was increased from the 'Bitter' and 'Others' groups and reduced slightly for the 'Aromatic' group.

Fruit and vegetables

2.1.161. On 21 July the Council adopted a Regulation laying down the conditions for applying safeguard measures in respect of new potatoes and seed potatoes coming from non-member countries and covered by the supplementary trade mechanism.⁷

The Council had reached agreement in principle on this Regulation at its meeting of 14 and 15 July.

Structures

Socio-structural measures

2.1.162. On 10 July Parliament adopted an opinion⁶ on the proposal⁸ to amend the Regulations of 12 March 1985 (No 797/

¹ OJ L 226, 13.8.1986.

² Bull. EC 3-1986, point 2.1.131.

³ Bull. EC 7/8-1985, point 2.1.145.

⁴ OJ L 206, 30.7.1986.

⁵ OJ C 177, 15.7.1986.

⁶ OJ C 227, 8.9.1986.

⁷ OJ L 201, 24.7.1986.

⁸ Bull. EC 4-1986, point 1.3.1 *et seq.*

85),¹ 6 February 1979 (No 270/79),² 19 June 1978 (No 1360/78),³ 15 February 1977 (No 355/77)⁴ and 12 December 1983⁵ on agricultural structures and on adapting agriculture to the new market situation and preserving the rural environment.

It also adopted an opinion⁶ on the amendment⁷ of the Decision of 12 December 1983 adopting joint research programmes and programmes for coordinating agricultural research.⁵

Parliament found the Commission's proposals quite inadequate and noted that the very important section on measures to grant further aid to agricultural incomes through direct income supplements did not cover any regions other than mountainous and less-favoured areas.

It also considered that, while it is necessary for European agriculture to develop in liaison with technical and technological progress, this must be accompanied by some restriction of intensification and concentration taking account of the European area. The Commission should therefore propose suitable measures to ensure the overall balance of agriculture in Europe; if these are to be effective Community co-financing will have to be more substantial for the less-favoured regions and uplands.

Parliament also feared that the structural measures proposed by the Commission would not provide an adequate basis for the adjustment of the CAP: the regulations underestimated the budgetary costs which would be involved if their objectives were to be achieved, and the budgetary estimates in the Commission's financial statement did not measure up to the proposed objectives either.

Extension of the list of less-favoured farming areas in Germany

2.1.163. In July the Council, having received the opinion of Parliament,⁶ formally adopted a Directive extending the list of less-favoured farming areas in Germany within the meaning of the Directive of 28 April 1975 (75/268/EEC).⁸ It had

expressed itself in favour of this proposal in May.⁹

Definition of less-favoured farming areas in Portugal and Spain

2.1.164. In July the Council, having received the opinion of Parliament,¹⁰ formally adopted the proposals for Commission Directives concerning the Community list of less-favoured farming areas in Portugal¹¹ and Spain.¹² It had expressed itself in favour of these proposals in May 1986.¹¹

Improvement of vine-growing structures in Portugal

2.1.165. With a view to contributing towards improving the situation in the wine sector in Portugal by improving the basic vine-growing structures on the one hand and by encouraging the permanent abandonment of certain areas planted with vines on the other, the Council adopted on 14 July,¹³ having received the opinion of Parliament⁶ and of the Economic and Social Committee (→ point 2.4.47), a Regulation on a specific common measure to improve vine-growing structures in Portugal.¹⁴ The Regulation provides for aid for restructuring and support measures and premiums for the permanent abandonment of vine-growing. The scheme will be implemented over a 10-year period at an estimated cost to the EAGGF Guidance Section of 73 million ECU.

¹ OJ L 93, 30.3.1985; Bull. EC 3-1985, point 2.1.111.

² OJ L 38, 14.2.1979.

³ OJ L 166, 23.6.1978.

⁴ OJ L 51, 23.2.1977; OJ L 53, 25.2.1977.

⁵ OJ L 358, 22.12.1983; Bull. EC 12-1983, point 2.1.159.

⁶ OJ C 227, 8.9.1986.

⁷ Bull. EC 4-1986, point 1.3.7.

⁸ OJ L 128, 19.5.1975; OJ L 172, 3.7.1975.

⁹ Bull. EC 5-1986, point 2.1.134.

¹⁰ OJ C 176, 14.7.1986.

¹¹ Bull. EC 5-1986, point 2.1.135.

¹² Bull. EC 5-1986, point 2.1.135; COM(86) 377 final.

¹³ OJ L 196, 18.7.1986.

¹⁴ OJ C 153, 19.6.1986; Bull. EC 6-1986, point 2.1.198.

Legislation

Veterinary and animal husbandry legislation

2.1.166. In view of the persisting outbreak of foot-and-mouth disease in Italy,¹ the Commission decided on 14 July to reinforce the protective measures applicable to trade by introducing a procedure whereby the restrictive measures prohibiting trade would automatically apply to all local health units affected by the disease and to all those having a common border with the affected units.²

Since no further outbreaks of African swine fever had been confirmed in the Netherlands,³ the Commission decided on 11 July,² in the light of the favourable results of serological tests carried out in the treated sector to lift all the remaining prohibitions on trade.¹ It also decided on the level of financial assistance from the Community in making good losses incurred following outbreaks of the disease in the Netherlands.⁴

Since no fresh outbreak of classical swine fever had been recorded in the United Kingdom¹ the Commission decided to restore to the UK its status as officially free from the disease.²

2.1.167. In July the Commission sent to the Council two proposals to step up the eradication of African swine fever in Spain⁵ and Portugal⁶ by means of a five-year programme with a financial contribution from the Community.

Plant health legislation

2.1.168. On 21 July the Council, acting on a proposal from the Commission,⁷ adopted a Directive⁸ amending the Directive of 21 December 1978 (79/117/EEC)⁹ prohibiting the placing on the market of ethylene oxide, on which agreement had been reached in May.¹⁰

2.1.169. On 24 July the Council adopted¹¹ the Directives relating to the fixing of

maximum levels for pesticide residues in and on cereals and foodstuffs of animal origin,¹² also agreed in May.¹³

Feedingstuffs

2.1.170. On 21 July the Council, acting on a proposal from the Commission,¹⁴ adopted a Directive¹⁵ amending the Directive of 17 December 1973 (74/63/EEC) on the fixing of maximum permitted levels for undesirable substances and products in feedingstuffs,¹⁶ the Directive of 23 November 1976 (77/101/EEC) on the marketing of straight feedingstuffs¹⁷ and the Directive of 2 April 1979 (79/373/EEC) on the marketing of compound feedingstuffs.¹⁸ The Council had agreed on these proposals in June.¹⁹

The essential purpose of the amendments to the 1973 Directive is to improve the safety of feedingstuffs. They enable the Community to limit the presence of certain contaminants in raw materials intended for animal feed and to impose on the products in question rules governing their distribution and labelling in order to ensure that they are used correctly.

The introduction of a maximum aflatoxin content of 0.2 mg/kg for groundnuts, cotton seed, maize, copra, palm kernel, babassu and products derived from these raw materials should finally solve the critical

¹ Bull. EC 6-1986, point 2.1.200.

² OJ L 223, 9.8.1986.

³ OJ L 108, 25.4.1986; Bull. EC 4-1986, point 2.1.132.

⁴ OJ L 233, 20.8.1986.

⁵ OJ C 197, 6.8.1986; COM(86) 391 final.

⁶ OJ C 203, 12.8.1986; COM(86) 392 final.

⁷ Bull. EC 11-1982, point 2.1.105.

⁸ OJ L 212, 2.8.1986.

⁹ OJ L 33, 8.2.1979.

¹⁰ Bull. EC 5-1986, point 2.1.137.

¹¹ OJ L 221, 7.8.1986.

¹² OJ C 56, 6.3.1980; Bull. EC 1-1980, point 2.1.48.

¹³ Bull. EC 5-1986, point 2.1.138.

¹⁴ OJ C 258, 26.9.1984; Bull. EC 10-1984, point 2.1.109.

¹⁵ OJ L 212, 2.8.1986.

¹⁶ OJ L 38, 11.2.1974.

¹⁷ OJ L 32, 3.2.1977; OJ L 56, 3.3.1983.

¹⁸ OJ L 86, 6.4.1979; OJ L 386, 31.12.1982.

¹⁹ Bull. EC 6-1986, point 2.1.202.

problem of the health hazard created by this mycotoxin.

The provisions relating to aflatoxin should facilitate trade and enable some Member States to reopen their markets.

The main purpose of the amendments to the 1976 and 1979 Directives is to alter certain definitions they contain and to provide livestock farmers with more complete information as to the composition of compound feedingstuffs.

2.1.171. The Commission adopted three Directives¹ adapting to technical progress the content of the Annexes to the Directive of 23 November 1970 (70/524/EEC) concerning additives² and the Directive of 17 December 1973 (74/63/EEC) concerning undesirable substances and products.³

The Council had reached agreement in June on the Directive concerning undesirable substances and products.⁴

Competition

2.1.172. 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

Bavaria

Construction of a cold-storage and despatching plant. The aid in question is for the restructuring of a dairy and for diversification of its cheese production.

Directive on support for measures to preserve the agricultural landscape.

♦

Rhineland-Palatinate

Measures to support low-income holdings. This aid is to enable viable farms which are experiencing financial difficulties to survive by providing them with an income equal to the minimum income provided for in social legislation.

Measures to encourage wine-growers in the Mosel-Saar-Ruwer, Mittelrhein and Ahr regions to adjust their production and to change from main-activity to secondary-activity farming.

The purpose of these schemes is to reduce production capacity and to introduce part-time farming.

Compensation for losses incurred by wine-growers who are members of producers' associations. These measures are intended to encourage the setting-up of producers' associations.

Structural improvement to the dairy industry in the Westpfalz region. The purpose of these measures is to reduce the processing capacity for milk products.

Bill to exempt farmers from paying agricultural social security contributions.

Draft decree relating to a subsidy for premiums to finance retirement allowances for farmers.

Improvement of agricultural structures (various schemes including aid for training young farmers and for forestry activities).

Lower Saxony

Abandonment aid for cultivated land left fallow.

Aid to compensate for livestock lost through disease, and payment of the cost of combating certain diseases. This covers compulsory prophylactic measures (vaccination) and compensation for animals lost as a result of such compulsory measures or treatment.

Denmark

Budgets for the 'pro mille' fund and the funds for cattle, milk, horses, sheep, seeds

¹ OJ L 189, 11.7.1986; OJ L 233, 20.8.1986.

² OJ L 270, 14.12.1970.

³ OJ L 38, 11.2.1974.

⁴ Bull. EC 6-1986, point 2.1.202.

and crop improvement. This involves changes to the existing budget.

Further State aid for combating bovine herpes virus. The expenditure in question relates to the slaughter of cattle infected with this virus.

France

Proposed aid scheme for beef/veal farmers. The purpose of this exceptional aid is to help certain farms which are in particular difficulty. It is to be used to offset part of the cost of investment loans.

Netherlands

Changes in the amount of aid for slurry banks. The purpose of this scheme is to dispose of slurry without polluting the environment.

Portugal

Additional aid for constructing or moving farm buildings or for land improvement pursuant to the draft decree-law on the national aid schemes provided for in the administrative and regulatory arrangements for the application in Portugal of the Regulation of 12 March 1985 (No 797/85) on improving the efficiency of agricultural structures.¹

United Kingdom

Isle of Man

Aid for upland sheep farming.

1986 farm improvement scheme.

2.1.173. The Commission issued an opinion finding an aid introduced by the Government of the Isle of Man under the 1986 basic slag scheme to be incompatible with the common market.

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

Germany

Lower Saxony

Under the system of compensation for livestock lost through disease and aid covering the cost of combating certain diseases, the measure relating to compensation for animals lost as a result of certain diseases or treatments was found unacceptable because the level of compensation exceeded 50%.

France

Measures to reduce social security contributions for temporary workers in certain types of commercial farming and an aid scheme for diversification in horticulture.

Ireland

Exchange-rate guarantee for new agricultural development purposes. This takes the form of a guarantee against fluctuating exchange rates by providing an interest-rate subsidy.

Luxembourg

Aid for agricultural development. Schemes involving investment aid for the processing and marketing of agricultural products were found unacceptable because the amount of aid exceeded the maximum generally authorized by the Commission. The Commission decided to make no comment on the introduction of the other schemes.

2.1.175. The Commission decided to terminate the Article 93(2) procedure in respect of the following aid schemes:

Italy

Bill No 1000 laying down new rules on agricultural credit and providing for other schemes to assist agriculture. Since this bill has been incorporated in new legislation (which has been approved by the Com-

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

mission), the Article 93(2) procedure has become redundant.

Finally, the Commission decided to terminate the Article 93(2) procedure in respect of certain provisions of the following Sicilian legislation: Regional Acts No 86 of 5 August 1982, No 105 of 5 August 1982, No 87 of 5 August 1982 and No 97/81. The Italian authorities have undertaken to comply with the limits set out in the Commission Decisions of 2 May, 30 May and 23 July 1984, as amended by the Decision of 9 April 1986.

Belgium	BFR	- 59 171 820
Denmark	DKR	- 38 898 896.06
Germany	DM	+ 131 155.55
Greece	DR	- 8 195 027 084
France	FF	- 45 654 927.34
Ireland	IRL	- 884 304.13
Italy	LIT	- 23 105 646 794
Luxembourg		—
Netherlands	HFL	- 41 109 328.86
United Kingdom	UKL	- 8 340 755.17

Forestry

2.1.176. On 2 July the Economic and Social Committee adopted an opinion on the discussion paper¹ and complementary memorandum² on Community action in the forestry sector (→ point 2.4.46).

European Agricultural Guidance and Guarantee Fund

Guarantee Section

Commission decisions on the clearance of accounts for 1982

2.1.177. On 21 May the Commission discussed the clearance of accounts for 1982. Its formal decisions were notified to the Member States between 23 June and 3 July.

In view of the steady increase in spending on the common agricultural policy, the clearance of accounts for 1982 relates to 11 700 million ECU, compared with 10 600 million ECU for 1981.

After checking the expenditure declared by Member States, the Commission decided on the following corrections:

The Commission decided to remove some items from the 1982 financial year and to carry them over to the following year's clearance of accounts, namely:

- (i) use of concentrated butter in France and the Netherlands;
- (ii) system for monitoring the processing of intervention beef in the United Kingdom;
- (iii) use of grape must for processing into grape juice in France.

The Commission also announced its intention to keep to the timetable set for future clearances, i.e. to clear the 1983 accounts before the end of 1986 and to clear the accounts for 1984 and 1985 before 30 June 1987.

Guidance Section

2.1.178. Pursuant to the Council Regulation of 15 February 1977 (No 355/77) on common measures to improve the conditions under which agricultural products are processed and marketed,³ the Commission adopted on 30 June a number of decisions granting aid from the EAGGF Guidance Section.

Aid totalling 94 million ECU was granted to 281 projects. Generally speaking, this aid covers up to 25% of the total expenditure involved. However, in the case of projects

¹ Bull. EC 12-1985, points 2.1.171 and 2.1.172.

² Bull. EC 2-1986, point 2.1.128 *et seq.*

³ OJ L 51, 23.2.1977.

in the Mezzogiorno, in the West of Ireland, in all of Greece except for the Greater Athens region, in Portugal and in the French overseas departments, the EAGGF Guidance Section may contribute up to 50% of the total expenditure required for implementing the project. The breakdown by Member State of the first tranche for 1986 is given in Table 10.

2.1.179. Pursuant to the Council Regulation of 18 February 1980 (No 458/80) on collective projects for the restructuring of vineyards,¹ the Commission adopted on 30 June a number of decisions granting aid for 1986. Assistance totalling 19.9 million ECU was granted to 47 projects.²

2.1.180. Pursuant to the Council Regulation of 30 June 1981 (No 1941/81) on an integrated development programme for the less-favoured areas of Belgium,³ the Commission adopted on 30 June two decisions granting a total of 196 475 ECU in EAGGF Guidance Section aid for 1986.²

2.1.181. Pursuant to the Council Regulation of 30 June 1981 on a common measure to improve the processing and marketing conditions in the cattle feed sector in Northern Ireland,³ the Commission adopted on 30 June a decision granting a total of 469 113 ECU in EAGGF Guidance Section aid for 1986.²

2.1.182. On 26 May the Commission adopted a Decision on the payment of advances and the fixing of the Community contribution in respect of premiums granted for the permanent abandonment of certain areas under vines.⁴

2.1.183. On 23 May the Commission adopted a Decision⁴ amending the Decision of 12 June 1981 (81/525/EEC) on applications for advances and refunds of

¹ OJ L 57, 29.2.1980.

² May 1986 exchange rates.

³ OJ L 197, 20.7.1981.

⁴ OJ L 171, 28.6.1986.

Table 10 — EAGGF Guidance Section aid for the processing and marketing of agricultural products under Regulation (EEC) No 355/77

	Number of projects	Aid granted	
		in national currency	in ECU ¹
Belgium	10	BFR 102 717 370	2 342 049
Denmark	39	DKR 57 119 457	7 185 822
France	46	FF 99 505 922	14 531 743
Germany	40	DM 14 546 496	6 767 606
Greece	14	DR 725 808 660	5 337 691
Ireland	16	IRL 7 210 147	10 218 303
Italy	29	LIT 34 266 454 896	23 263 985
Luxembourg	—	—	—
Netherlands	11	HFL 8 173 568	3 372 866
Portugal	9	ESC 837 516 120	5 846 004
Spain	21	PTA 834 095 966	6 120 906
United Kingdom	46	UKL 5 772 442	9 030 644
Total	281	—	94 017 619

¹ May 1986 exchange rates.

premiums in connection with collective projects for the restructuring of vineyards.¹

2.1.184. On 11 July Parliament adopted three resolutions concerning the stock disposal programme and a special fund to reduce stocks (→ point 2.4.14).²

Fisheries

Resources

Internal aspects

Community measures

Prohibition measures

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

(i) Dutch vessels from fishing for haddock in ICES divisions IIIa; IIIb, c, d, (EC zone) with effect from 12 July³ and for plaice in ICES division IIIa (Skagerrak) with effect from 16 August;⁴

(ii) United Kingdom vessels from fishing for saithe in ICES sub-areas VII, VIII, IX, X and Cefac division 34.1.1 (EC zone) with effect from 7 July³ and for redfish in Faeroese waters with effect from 23 July;⁵

(iii) Belgian vessels from fishing for sole in ICES sub-area VIII with effect from 14 July³ and for cod in ICES sub-areas VII (excluding division VIIa), VIII, IX, X and Cefac division 34.1.1 (EC zone) with effect from 4 August;⁶

(iv) German vessels from fishing for cod in ICES sub-areas I, II (Norwegian waters north of 62°N) with effect from 8 July.⁵

National measures

Conformity with Community rules

2.1.186. The Commission took note of the following national measures:

(i) on 18 July, two Dutch decrees amending a decision of 10 February 1983 on the implementation of Regulation (EEC) No 171/83⁷ in Dutch waters; the Commission found the decrees to be in conformity with Article 20(1) of the Regulation but asked the Dutch authorities to amend the provisions of the second decree (laying down the minimum authorized sizes of cod and haddock in certain zones) as they were less rigid than Community rules;

(ii) on 30 July, a draft Belgian royal decree laying down measures for the conservation and management of sole stocks, which the Commission found to be in conformity with Article 5(2) of Regulation No 170/83.⁷

Measures to give effect to Community rules

2.1.187. The Commission took note of the following national measures:

(i) on 17 July, a Dutch decree on the implementation as from 1 April 1985, of Regulation No 2807/83 of 22 September 1983⁸ in its entirety;

(ii) on 18 July, a 1983 Dutch decision on the implementation of Regulation No 171/83;⁷ the Commission drew the Dutch authorities' attention to the fact that certain measures contained in this decision were now superfluous since corresponding Community rules had been adopted in the mean time.

External aspects

Bilateral relations

Guinea-Bissau

2.1.188. On 22 July the Commission sent the Council a proposal for a Regulation⁹

¹ OJ L 196, 18.7.1981.

² OJ C 227, 8.9.1986.

³ OJ L 190, 12.7.1986.

⁴ OJ L 236, 22.8.1986.

⁵ OJ L 200, 23.7.1986.

⁶ OJ L 212, 2.8.1986.

⁷ OJ L 24, 27.1.1983.

⁸ OJ L 276, 10.10.1983.

⁹ OJ C 197, 6.8.1986; COM(86) 409 final.

and a proposal for a Decision¹ on the conclusion respectively of:

- (i) an Agreement amending for the second time the Agreement between the European Economic Community and the Government of the Republic of Guinea-Bissau on fishing off the coast of Guinea-Bissau;²
- (ii) an Agreement in the form of an exchange of letters on the provisional application of this Agreement.

Draft agreements had been initialled in Bissau on 22 May.³

Guinea

2.1.189. An Agreement amending the Agreement between the Community and the Republic of Guinea on fishing off the Guinean coast⁴ by vessels from the enlarged Community for three years from 8 August 1986 and an Agreement on the provisional implementation of this Agreement from that date were initialled in Conakry on 12 July.

Senegal

2.1.190. Following the refusal of the Senegalese authorities to extend the Protocol⁵ to the Fisheries Agreement⁶ for the period after 31 May, negotiations for a new Protocol were held on 7 and 8 July but no agreement was reached. The two parties agreed to resume discussions in September.

Sao Tome and Principe

2.1.191. An Agreement in the form of an exchange of letters concerning the extension of the current arrangements for a period of two months was negotiated between the Commission and the Democratic Republic of Sao Tome and Principe on 22 August in order to prevent any interruption of fishing activities by Community vessels between 1 September and 31 October 1986, pending the outcome of the negotiations being held to determine what amendments should be made to the Protocol to the Agreement on fishing off the coast of Sao Tome and Principe.⁷

Morocco

2.1.192. On 7 and 8 July Mr António Cardoso e Cunha, the member of the Commission with special responsibility for fisheries, visited Rabat at the invitation of the Moroccan authorities to examine what should be done to promote fishing links between Morocco and the Community.

Greenland

2.1.193. The Greenland authorities made available to the Community an additional 10 000 tonnes of capelin to be fished in 1986. On 24 July the Council, acting on a proposal from the Commission,⁸ amended⁹ accordingly the Regulation of 31 December 1985 allocating, for 1986, Community catch quotas in Greenland waters.¹⁰ The additional quantity of capelin was allocated to Denmark.

Norway and Sweden

2.1.194. On 24 July the Council amended⁹ for the fourth time¹¹ its Regulation of 20 December 1985 fixing total allowable catches of stocks in the Skagerrak and the Kattegat and their allocation among the Member States.¹² This was because further consultations on 14 July with Norway and Sweden with a view to agreeing the total allowable catch for herring in the Skagerrak and Kattegat for the current year had not produced agreement. Consequently, the Council unilaterally determined the share available to the Community

¹ COM(86) 409 final.

² OJ L 84, 30.3.1983; Bull. EC 3-1983, point 2.1.132.

³ Bull. EC 5-1986, point 2.1.152.

⁴ OJ L 111, 24.4.1983; Bull. EC 3-1983, point 2.1.133.

⁵ OJ L 37, 8.2.1984.

⁶ OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.197.

⁷ OJ L 54, 25.2.1984; Bull. EC 7/8-1983, point 2.1.162; OJ L 114, 27.4.1985; Bull. EC 4-1985, point 2.1.92.

⁸ COM(86) 439 final.

⁹ OJ L 206, 30.7.1986.

¹⁰ OJ L 363, 31.12.1985; Bull. EC 12-1985, point 2.1.195.

¹¹ OJ L 176, 1.7.1986; Bull. EC 6-1986, point 2.1.213.

¹² OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.199; OJ L 17, 23.1.1986.

at 63 915 tonnes for the whole of 1986 and allocated this to Member States.

A preliminary increase in the herring quota for the period until 31 July had been made on 25 June.¹

Multilateral relations

2.1.195. On 21 July the Council, acting on a proposal from the Commission,² amended³ the Regulation of 2 August 1985 laying down certain technical measures for the conservation of fish stocks in the Antarctic.⁴

Markets and structures

Market organization

2.1.196. On 24 July the Commission adopted a Regulation fixing for the 1986/87 marketing year the reference prices for carp.⁵

2.1.197. On 31 July the Commission adopted two Regulations laying down detailed rules for the granting of compensation to producers of tuna for the canning industry and determining the maximum amount of the compensation for tuna supplied to the canning industry for the period 1 January to 31 March 1986.⁶

Accession-related measures

2.1.198. On 10 July the Commission amended⁷ Regulation No 655/86 of 28 February 1986 fixing, for the 1986 fishing year, the annual import quotas for the products subject to the rules for the application by Spain and Portugal of quantitative restrictions on fishery products.⁸ This amendment related to an increase of 2 000 tonnes in the Spanish quota for cod, not dried, salted or in brine.

2.1.199. On 31 July the Commission amended,⁹ for the second time, Regulation No 655/86 of 28 February 1986⁸ so that the Portuguese quota for frozen fillets of

hake could be increased from its initial level of 20 tonnes to 80 tonnes for the 1986 fishing year.

2.1.200. On 30 July the Commission amended¹⁰ Regulation No 654/86 of 28 February 1986 fixing, for the 1986 fishing year, the overall foreseeable level of imports for the products subject to the supplementary trade mechanism in the fisheries sector⁸ so as to adapt this level to the increase in imports decided in the context of the amendment to Regulation No 655/86 (→ point 2.1.199).

2.1.201. On 24 July the Commission amended⁵ its Regulation of 20 December 1983 on the notification of prices and fixing the list of representative wholesale markets and ports for fishery products.¹¹ The main purpose of this amendment was to add to the list the representative markets and ports for tuna in the Azores and Madeira regions.

Structures

2.1.202. On 23 July, acting under Council Regulation No 355/77 of 15 February 1977 on common measures to improve the conditions under which agricultural and fishery products are processed and marketed,¹² the Commission approved the specific programmes concerning the processing and marketing of fish and fish products in Denmark, France, Germany, Ireland, Italy and the United Kingdom.¹³

2.1.203. Pursuant to Council Directive 83/515/EEC of 4 October 1983 concerning cer-

¹ OJ L 176, 1.7.1986; Bull. EC 6-1986, point 2.1.213.

² Bull. EC 5-1986, point 2.1.147.

³ OJ L 201, 24.7.1986.

⁴ OJ L 210, 7.8.1985; Bull. EC 7/8-1985, point 2.1.176.

⁵ OJ L 202, 25.7.1986.

⁶ OJ L 211, 1.8.1986.

⁷ OJ L 189, 11.7.1986.

⁸ OJ L 66, 8.3.1986; Bull. EC 2-1986, point 2.1.143.

⁹ OJ L 210, 1.8.1986.

¹⁰ OJ L 208, 31.7.1986.

¹¹ OJ L 357, 21.12.1983; Bull. EC 12-1983, point 2.1.179.

¹² OJ L 51, 23.2.1977.

¹³ OJ L 226, 13.8.1986.

tain measures to adjust capacity in the fisheries sector,¹ on 10 July the Commission adopted a Decision concerning extensions in the implementation by Germany of certain measures to adjust capacity,² which the Commission had approved on 6 July 1984.³

2.1.204. In accordance with Council Regulation No 2908/83 of 4 October 1983 on a common measure for restructuring, modernizing and developing the fishing industry and for developing aquaculture,¹ on 4 July the Commission approved² the guidance programme for the fishing fleet submitted by Portugal for 1986 and the multiannual guidance programme in respect of aquaculture also submitted by Portugal.

2.1.205. The Commission raised no objection to the following State aids:

(i) Two German schemes in respect of deep-sea fishing, namely a launching aid for two new deep-sea fishing companies for 1986 and a transitional aid for fishing off Greenland for 1986 and 1987. The launching aid involves a budget of DM 12 million and the transitional aid a budget of DM 13 million (DM 3 million in 1986 and DM 10 million in 1987). Since the assistance was justified by the major losses in earnings that resulted from the adverse climatic conditions off Greenland, the Commission considered this planned measure under the terms of Article 92(2)(b) of the EEC Treaty.

The Commission reserved the right to assess the transitional aid planned for 1988 in the light of the economic situation of the deep-sea fleet in question and the amount of such aid actually paid in 1986 and 1987. It considered that it was not yet possible to authorize the granting of aid justified under Article 92(2)(b) in respect of 1988.

(ii) Two measures adopted by the Andalusian regional authorities in Spain. Under the first measure investment aids are granted for the marketing of fishery products which come within the scope of Regulation No 355/77 of 15 February 1977 on common measures to improve the conditions under which agricultural and fishery products are

processed and marketed⁴ and aid is granted for the advertising of typical Andalusian fishery products.

Under the second measure investment aids are granted for the construction and modernization of the fishing fleet and for the conversion of facilities which come partly within the scope of Regulation No 2908/83 of 4 October 1983 on a common measure for restructuring, modernizing and developing the fishing industry and for developing aquaculture¹ and aid is granted for the purchase of second-hand vessels.

2.1.206. The Commission took note of the introduction by the Manx authorities of an aid scheme for the purchase of second-hand fishing vessels in 1985. This involves a subsidy of up to 25% of the purchase price and the granting of loans with interest-rate subsidies.

2.1.207. On the other hand, the Commission found the following aid measures to be incompatible with the common market within the meaning of Article 92 of the EEC Treaty:

(i) An aid to producers' organizations in Germany engaged in offshore and inshore fishing, under which loans granted to such organizations on the basis of Article 6(4) of the Regulation of 29 December 1981 on the common organization of the market in fishery products⁵ were converted into subsidies. The granting of this aid was subject to the setting up of a single association for the joint marketing of the products of all the organizations concerned. The Commission found that the purpose of the aid was compatible with the common organization of the market but that the waiving of repayment of the special loans was in breach of the abovementioned Regulation.

(ii) An aid to fishermen in France⁶ in the form of price-ceiling arrangements appli-

¹ OJ L 290, 22.10.1983.

² OJ L 205, 29.7.1986.

³ OJ L 196, 26.7.1984; Bull. EC 7/8-1984, point 2.1.163.

⁴ OJ L 51, 23.2.1977.

⁵ OJ L 379, 31.12.1982; Bull. EC 12-1981, point 2.1.140.

⁶ Bull. EC 6-1985, point 2.1.149.

cable to diesel fuel for fishing vessels, first introduced in 1982. This aid consists of a price-adjustment mechanism to absorb major increases in diesel fuel prices. The Commission considered that this was an operating aid without any real *quid pro quo* on the part of the recipient. Such a measure had a direct effect on competition and on trade between Member States since fishermen in other Member States did not benefit from the same advantageous conditions.

2.1.208. Lastly, the Commission decided to terminate the procedure laid down in Article 93(2) of the EEC Treaty in respect of two provisions contained in an Act of the Marche region of Italy.¹ The first concerns the maximum level of combined assistance for individual investment projects. The second, a nationality clause in an aid scheme for the employment of young persons, has been amended by replacing the words 'Italian nationality' by 'nationality of a Member State of the European Economic Community'.

Transport

Inland transport

Road transport

Technical aspects

2.1.209. On 24 July the Council formally adopted two Directives, one amending² the driving axle weights in the Directive on the weights, dimensions and certain other technical characteristics of certain road vehicles,³ the other relating to proof of compliance of vehicles with that Directive.⁴

Agreement had been reached on both these Directives at the two Council meetings on transport in June.⁵

Taxation

Duty-free fuel allowance

2.1.210. On 10 July the Commission sent the Council a proposal to amend the Direc-

tive on the standardization of provisions regarding the duty-free admission of fuel contained in the fuel tanks of commercial motor vehicles (→ point 2.1.91).

Air transport

Competition

2.1.211. The Commission sent the Council a communication concerning competition in air transport on 8 July.⁶ This analyses competition in the industry in the light of the Court of Justice ruling in the *Nouvelles frontières* case (→ point 2.4.21) and reports on the progress made in the Council's deliberations on the subject.

The communication also includes:

(i) amendments to the proposal for a Council Regulation laying down the procedure for the rules on competition applying to undertakings in the air transport sector;⁷

(ii) an amended proposal for a Council Regulation on the application of Article 85(3) of the Treaty to certain categories of agreements and concerted practices in the air transport sector;⁷

(iii) proposed amendments to the Council Regulation of 20 December 1971 on application of Article 85(3) of the Treaty to categories of agreements, decisions and concerted practices.⁸

2.1.212. The Commission decided to send letters to 10 airlines pointing out that they were in breach of the Treaty's competition rules (→ point 2.1.60).

Inter-regional services

2.1.213. On 19 August the Commission sent the Council a communication on access

¹ Bull. EC 12-1985, point 2.1.207.

² OJ L 217, 5.8.1986.

³ OJ L 2, 3.1.1985; Bull. EC 12-1984, point 2.1.200.

⁴ OJ L 221, 7.8.1986.

⁵ Bull. EC 6-1986, points 2.1.220 and 2.1.228.

⁶ COM(86) 328 final.

⁷ OJ C 182, 9.7.1984; Bull. EC 2-1984, point 2.1.149.

⁸ OJ L 285, 29.12.1971.

to the civil aviation market, together with a proposal for a Directive¹ amending 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.²

This proposal would change the rules governing inter-regional air services, notably by extending the existing procedure for authorizing inter-regional air services to flights between Category 1 airports and regional airports.

Energy

Specific problems

Solid fuels

New State-aid rules

2.1.214. On 30 July the Commission adopted a Decision implementing its Decision of 30 June establishing new Community rules for State aid to the coal industry³ with a view to ensuring that the notifications of proposed aid to the industry which Member States and firms must send to the Commission for approval are comparable and easy to examine.

Oil and gas

Technological development

2.1.215. As part of the four-year programme of support for technological development in this area (1986-89),⁴ on 22 July the Commission published an invitation to interested parties to submit applications for financial support for Community projects by 28 November 1986.⁵

2.1.216. On 28 July the Commission decided to grant financial support for Community projects under this programme.⁶ The aid in question amounted to 37.9 million ECU and was granted, following

the Commission's earlier invitation,⁶ to 76 Community projects.

The main changes compared with 1985 were greater international cooperation and a larger number of proposals from small and medium-sized firms (which now account for about 60% of recipients).

Energy saving

2.1.217. On 25 July the Commission transmitted to the Council, and, for information, to Parliament and the Economic and Social Committee, a communication on the rational use of energy in road, rail and inland waterway transport⁷ in which the Commission states that since road transport accounts for 85% of total consumption by transport most of the measures proposed concentrate on this area. The Commission then goes on to emphasize that transport plays a key role in the European economy and that it burns over a quarter of the energy consumed in the Community. The Commission points out that over the last 10 years total energy consumption in the transport sector has risen sharply (by 27%), and that its dependence on oil has hardly altered (standing at 98%). Over the same period, manufacturing industry cut its energy consumption by 22% and its dependence on oil from 43% to 26%;⁸ in the domestic and services sector consumption fell by 3% and dependence on oil from 56% to 40%. As a result, transport now accounts for half of the oil consumption of the Community of Twelve, compared with one third in 1973. This heavy dependence on oil prompts the Commission to consider four variables on which action can be taken separately in all but certain special cases: vehicles, infrastructure, operation of the transport system, and users. The Com-

¹ OJ C 240, 24.9.1986; COM(86) 424 final.

² OJ L 237, 26.8.1983.

³ OJ L 177, 1.7.1986; Bull. EC 6-1986, point 2.1.136.

⁴ OJ L 350, 27.12.1985; Bull. EC 12-1985, point 2.1.221.

⁵ OJ C 183, 22.7.1986.

⁶ OJ C 1, 3.1.1986; Bull. EC 12-1985, point 2.1.222.

⁷ COM(86) 393 final.

⁸ Bull. EC 5-1986, point 2.1.168.

mission has selected four instruments for action on these variables: regulations and standardization; financial and tax incentives; new technologies, including research, development and demonstration; and training and information.

A detailed examination and, wherever possible, a cost-benefit analysis is carried out for each option as regards rational use of energy.

Alternative sources

2.1.218. On 8 July Parliament gave its opinion¹ on the draft resolution on a Community approach to the development of new and renewable energy sources.² It welcomed this initiative and asked the Commission to provide a legal basis to enable small-scale producers to transfer their surplus production to the public network. It also suggested that special attention should be given to informing public opinion about the possibilities of using these types of energy sources.

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2.1.219. On 8 July Parliament also adopted a resolution on ethanol from renewable raw materials (→ point 2.4.14).

Nuclear safety

Radiation protection

2.1.220. On 20 August, as part of the follow-up to its framework communication on the consequences of the Chernobyl accident,³ the Commission transmitted to the Council a communication entitled 'The development of Community measures for the application of Chapter III of the Euratom Treaty (Health and Safety)'.⁴ This was accompanied by a draft proposal for a Council Decision on a Community system of rapid exchange of information in cases of unusually high levels of radioactivity or of a nuclear accident.⁵

Examination of provisions relating to health and safety

2.1.221. One of the main tasks assigned to the European Atomic Energy Community by the Euratom Treaty is to 'establish uniform safety standards to protect the health of workers and of the general public and ensure that they are applied'. The regulatory framework within which that task is to be accomplished provides for a number of duties, to be performed by the Commission, the Council and the Member States, with the participation of Parliament and the Economic and Social Committee.

Basic standards

2.1.222. The Euratom Treaty provides that the basic standards for the protection of the health of workers and the general public must lay down maximum permissible doses compatible with adequate safety, maximum permissible levels of exposure and contamination, and the fundamental principles governing the health surveillance of workers.

The dose limits laid down in the existing Council Directives relating to radiation protection⁶ constitute ceilings and not, strictly speaking, 'permissible' doses. The Commission is examining the extent to which the Community provisions should be tightened. In addition, the provisions of the Directives specifying dose evaluation methods and laying down practical rules for the protection of workers and the general public should be systematically reviewed.

An essential aspect of pollution monitoring in other industries is the establishment of emission standards for each type of plant. The existing Directives do not lay down such standards for nuclear facilities; prac-

¹ OJ C 227, 8.9.1986.

² OJ C 94, 22.4.1986; Bull. EC 1-1986, point 2.1.130.

³ Bull. EC 6-1986, point 2.1.242.

⁴ COM(86) 434 final.

⁵ OJ C 237, 19.9.1986.

⁶ 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.

tice consequently varies widely between Member States: some establish such standards by legislation, others by means of recommendations, while others do not lay down any standards at all. The entire problem of monitoring emissions from nuclear plants is currently being examined by the Commission.

Neither do the Directives at present in force set any limits for the radioactivity of various foods in the event of an accidental discharge of radioactivity. The threat that hung over the operation of the internal market in food-stuffs following the Chernobyl accident highlights the need for such limits to be introduced. The information transmitted by the Member States to the Commission after the Chernobyl accident have not made it possible to evaluate accurately the potential risks deriving initially from atmospheric radioactivity and subsequently from contaminated foods. Such experience clearly demonstrates the need for a uniform Community approach, both with regard to accident declarations and sampling methods and in terms of the procedure to be followed in the event of a nuclear accident.

Harmonization of radiation protection

2.1.223. The Commission initially played an important role in harmonizing radiation protection throughout the Community, but in recent years it has found it difficult to carry out that task. This is attributable to the conflict between the frequent need to adapt provisions in line with new scientific knowledge and the inability of the Member States to reach agreement quickly. The result has been a weakening of the Community Directives relating to radiation protection;¹ this situation must be remedied.

Monitoring of radioactivity in the environment

2.1.224. Articles 35 of the Euratom Treaty requires the Member States to establish the monitoring facilities necessary for ensuring compliance with the basic standards and gives the Commission the right of access to such facilities for verification purposes.

Article 36 places Member States under the obligation periodically to communicate to the Commission information on checks; such information concerns readings of fall-out levels and radioactivity levels in the air and water, on the ground and in milk. The regional network of monitoring facilities for ensuring compliance with the basic standards was set up in the 1950s in order to measure contamination due to nuclear weapons tests. The Commission initially exercised its right of access to such facilities in order to verify their operation and efficiency, but has for some time no longer had the resources to do so. Furthermore, it is not satisfied with the present situation regarding the transmission and type of data received and the verification of the facilities which take the readings. The Commission would like to see a change in that state of affairs.

Disposal of radioactive waste

2.1.225. Under Article 37, each Member State must provide the Commission with general data relating to any plan for the disposal of radioactive waste in any form that is liable to contaminate the water, soil or airspace of another Member State. The Commission must then deliver an official opinion on the plan, after consulting a group of experts. It regularly publishes statements of data on radioactive discharges, while acknowledging that they are often incomplete as a result of Member States' failure to provide full information.

Transport of radioactive materials

2.1.226. Experience so far has revealed few problems concerning the transport of radioactive materials. There have been very few transport incidents resulting in accidental exposures. Nevertheless, serious accidents liable to cause problems could, in certain circumstances, necessitate cooperation between two or more Member States,

¹ 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.

in particular where such incidents occur in a frontier region or at sea, as, for example, in the case of the collision and shipwreck of the *Mont-Louis*.

Work undertaken in the light of that accident has led the Commission to the conclusion that the provisions of the international conventions governing the transport of dangerous substances (including radioactive materials) should be incorporated into Community law,¹ while account should at the same time be taken of the conclusions of a communication to the Council of May 1984, which stated that greater attention should be devoted to the training of personnel responsible for transport and to the criteria for technical and medical assistance in the context of bilateral or multilateral agreements between Member States.²

Emergency plans and associated activities

2.1.227. In August 1983, the Commission sent the Council a communication³ together with a draft resolution concerning emergency plans and the contamination of river and sea waters. In that document it described work on plans for emergency transfrontier action in the event of a nuclear accident and the impact of radioactive contamination in water courses and marine waters affecting the Community. The resolution was never adopted by the Council, which furthermore enjoined the Commission to ensure that the work envisaged did not duplicate that conducted in the Member States or by other international organizations, notwithstanding the specific task entrusted to the Commission by the Euratom Treaty. That unfavourable stance, which again highlights the independent attitude taken by the Member States, has limited the work the Commission was able to undertake.

Additional action and work

2.1.228. The foregoing analysis has already indicated different ways of improving Community provisions relating to radi-

ation protection. It demonstrates that a swifter decision-making process is needed if the Community's basic standards are to evolve in line with technical progress and fill gaps in the protection of public health. The transfrontier impact of nuclear power stations has been too quickly dismissed in the past, and it is now necessary to reinforce environmental monitoring and provide for the possibility of independent verification. Chernobyl has demonstrated the Community's inability to respond to a major accident in a coordinated fashion, and streamlined procedures must be established as a matter of urgency.

Protection of citizens against radiation

2.1.229. In many respects the citizens of the Community would be better protected against radiation if the Community attached higher priority to the revision and application of the basic standards. In addition to the delay in agreeing on revised, stricter basic standards, Member States are slow in transposing the Community Directives into legislation. The Commission will take all the measures envisaged by the Euratom Treaty, including legal proceedings, to ensure that those Directives are fully implemented. The role of the Directives in harmonizing radiation protection at Community level should also be reaffirmed.

Establishment of cumulative maximum radioactivity levels of specific categories of foodstuffs

2.1.230. The Regulation⁴ adopted by the Council on 30 May following the Chernobyl accident, which lays down cumulative maximum radioactivity levels for specific categories of foodstuffs, is to expire on 30 September 1986. The Commission must therefore decide what measures are necessary in order to afford a high standard of

¹ This work is outside the scope of Chapter III of the Euratom Treaty; it is mentioned here for the sake of completeness.

² Bull. EC 5-1984, point 2.1.186.

³ Bull. EC 7/8-1983, point 2.1.194.

⁴ OJ L 146, 31.5.1986; Bull. EC 5-1986, point 1.1.3.

health protection for the citizens of the Community and ensure that the internal market operates effectively. Immediately after the Chernobyl accident, a group of experts set up under Article 31 of the Euratom Treaty prepared an interim opinion based on the available scientific data. That opinion is under examination, and in the light of the information supplied the Commission will decide whether to propose a brief extension of the existing Regulation or whether it would already be more useful to propose more permanent replacement rules.

Community system for the rapid exchange of information

2.1.231. The repercussions of the Chernobyl accident have demonstrated that existing schemes and arrangements for the exchange of information and mutual assistance are inadequate. In order to avoid a repetition of that situation, on 20 August the Commission sent the Council a draft proposal for a Council Decision on a Community system of rapid exchange of information in cases of unusually high levels of radioactivity or of a nuclear accident.¹

Under the draft proposal, a Member State where an accident takes place would have to notify the Commission forthwith of the occurrence, its time and place, the levels of radioactivity measured and any action taken. During a period determined by the Commission, the Member State in question would have to continue to inform the latter, at not less than daily intervals, of the levels of radioactivity measured. The authorities concerned would also have to inform the Commission of the results of environmental monitoring; the nature, cause and possible development of the occurrence; the characteristics of any release of radioactive materials; the foreseeable subsequent behaviour of the source of radioactive releases; meteorological and hydrological conditions; and any changes in the emergency situation, including its foreseeable or actual termination.

As required by the Euratom Treaty, the draft is currently before a group of experts and the Economic and Social Committee. The Commission may well further amend the text in the light of the outcome of the extraordinary meeting of the General Conference of the International Atomic Energy Agency (IAEA), to be held in Vienna from 24 to 26 September.

Permissible limits for discharges from nuclear installations

2.1.232. Calculation of the permissible limits for discharges from nuclear installations is at present left to the Member States. This raises the question of Community emission standards, which are not established by the existing Directives. As part of its work in this area, the Commission will hold consultations with a view to revising current practices. It is desirable for emission standards to be based on the application of up-to-date technologies, and the Commission will take account of this in its approach to the problem.

Accident risks during the transport of radioactive materials

2.1.233. In order to reduce still further the risk of accidents during the transport of radioactive materials, the Commission is developing a more uniform standard for the training of workers assigned to such transport operations. It intends to examine the possibility of setting up and operating a network for the exchange of information on emergency measures to be taken in the event of a transport accident in frontier regions or at sea.

System of mutual assistance in the event of a nuclear accident

2.1.234. The highly specialized nature of the nuclear industry calls for the introduction of Community provisions for a system of mutual assistance in the event of a

¹ OJ C 237, 19.9.1986; COM(86) 434 final.

nuclear accident. The Commission is taking part in the preparation of the IAEA Convention on the subject, and in the light of the outcome of those international negotiations and of consultations with the Member States, it will make suitable proposals to the Council.

Consultation of the two sides of industry

2.1.235. The Euratom Treaty provides for consultation of the Economic and Social Committee, but makes no provision for consulting the two sides of industry during the preparation of Community measures and proposals to the Council. Consequently, radiation protection is not one of the topics for discussion by the standing advisory committees. The Commission therefore intends to propose that the Council Decision on the setting up of a tripartite Advisory Committee on Safety, Hygiene and Health Protection at Work¹ be amended to include radiation protection in its terms of reference.

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2.1.236. The objective of the Euratom Treaty is to create the conditions necessary

for the growth of the nuclear industries. Following the Chernobyl accident and other, less serious, incidents that have occurred in the Community, attainment of that objective requires the public to be assured that both citizens and the environment are effectively protected against the danger of radiation. In the Commission's view, the measures announced above will contribute greatly to the restoration of public confidence. A major, constant effort to inform the public is also necessary. To that end, the Commission intends to set up a standing conference on health protection in the nuclear age. It is preparing the conference's inaugural meeting for 1987, in consultation with Parliament and the Economic and Social Committee.

The Commission will also hold a symposium in 1987 on the education and training of workers in the field of radiation protection. The symposium will examine the training needs of technical, medical and paramedical employees, the problem of in-service training and the psychological difficulties encountered by workers in the nuclear industries.

¹ OJ L 185, 9.7.1974.

2. External relations

Renewal of the Multifibre Arrangement

Conclusion of the negotiations

Extension of the Arrangement

2.2.1. After two weeks of intensive negotiations in Geneva the MFA was extended for a five-year period to 31 July 1991. The GATT Textiles Committee meeting in Geneva on 31 July adopted the Protocol of Extension, whose provisions included the possibility of differentiation between suppliers, special treatment for the least-developed countries, extension of MFA coverage to vegetable fibres and vegetable fibre blends, reinforcement of circumvention provisions and recognition of the problems of infringement of property rights regarding trade marks and designs. The need for cooperation among all participants to promote liberalization of trade in textiles was also recognized.

During the meeting of the Textile Committee the Community stated that it would recommend that the Council approve the Protocol of Extension and stressed the importance which the Community attached to the conclusion of satisfactory bilateral agreements.

2.2.2. Immediately after this agreement, Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy, made a statement in which he expressed his satisfaction at the successful conclusion of the negotiations.

'After several months of intensive work the GATT negotiations on the renewal of the Multifibre Arrangement for a further five years have now been concluded. The renewal of the Arrangement will enable our industry to continue the large-scale restructuring that has been undertaken during the last few years and will make it possible for exporters in the developing countries to maintain and expand in an orderly fashion their trade with the Community in textiles and clothing products.

At a time when uncertainties are piling up in international trade, I welcome the successful conclusion of an agreement that the Community has been advocating for over a year¹ and which will maintain the Multifibre Arrangement as a factor for stability and orderly growth in trade. I am also glad that the Community was able to have included under the new Arrangement the elements of flexibility that formed part of its negotiating directives.

The new multilateral Arrangement does not jeopardize the conclusion and management by the Community of its bilateral agreements with other countries. The Community will, moreover, be able to continue its established practice of differentiating between certain countries or territories that have a dominant trading position and other suppliers in the growth and flexibility rates it applies.

For the first time the difficulties caused by failure to respect intellectual property rights were raised, and they are recognized under the agreement. Preventive cooperation and compensation in cases of evasion and fraud have been stepped up. Lastly, the Community secured acceptance of its proposal for special treatment to help the least-developed countries.'

Commercial policy

Implementing the common commercial policy

Commercial policy instruments

Easing of restrictive measures

2.2.3. Under the Council Regulation of 14 November 1983 on import arrangements for products originating in State-trading countries, not liberalized at Community level,² the Commission decided to open quotas for the following:

¹ Bull. EC 6-1985, point 2.3.5; Bull. EC 7/8-1985, point 2.3.6; Bull. EC 11-1985, point 2.3.4; Bull. EC 12-1985, point 2.3.9; Bull. EC 3-1986, point 2.2.1.

² OJ L 346, 8.12.1983.

Italy — Hungary/Romania: regenerated textile fibres of viscose (discontinuous);¹

United Kingdom — People's Republic of China: television receivers;²

Italy — USSR: unwrought aluminium slabs, containing 99.5% aluminium;³ semi-chemical fluting paper;³

Italy — German Democratic Republic: synthetic organic dyestuffs;³

Italy — German Democratic Republic: tubes and pipes and blanks therefor, of iron

(other than of cast iron) or steel, excluding articles falling within heading No 73.19;⁴

Italy — Romania/German Democratic Republic: regenerated textile fibres of viscose (discontinuous).⁵

Trade protection

2.2.4. The trade protection measures taken in July are shown in Table 11.

¹ OJ C 167, 5.7.1986.

² OJ C 174, 12.7.1986.

³ OJ C 180, 18.7.1986.

⁴ OJ C 192, 30.7.1986.

⁵ OJ C 195, 2.8.1986.

Table 11 — Trade protection measures

Council	Commission ¹
<p>Anti-dumping proceedings</p> <p><i>Amendment of Regulation imposing a definitive anti-dumping duty on imports of:</i></p> <p>Electronic typewriters originating in Japan OJ L 187, 9.7.1986. (definitive duty: OJ L 163, 22.6.1985; preceding amendment: OJ L 288, 30.10.1985)</p> <p><i>Termination of anti-dumping proceeding concerning imports of:</i></p> <p>Portland cement originating in the German Democratic Republic, Poland or Yugoslavia OJ L 202, 25.7.1986 (initiation of proceeding: OJ C 84, 2.4.1985)</p>	<p>Anti-dumping proceedings</p> <p><i>Provisional anti-dumping duty on imports of:</i></p> <p>Plain-paper photocopiers originating in Japan OJ L 239, 26.8.1986 (initiation of proceeding: OJ C 194, 2.8.1985)</p> <p>Housed bearing units originating in Japan OJ L 221, 7.8.1986 (reopening of proceeding: OJ C 132, 31.5.1985)</p> <p>Potassium permanganate originating in Czechoslovakia, the German Democratic Republic or the People's Republic of China OJ L 217, 5.8.1986 (initiation of proceeding: OJ C 63, 18.3.1986)</p> <p><i>Initiation of anti-dumping proceeding concerning imports of:</i></p> <p>Vinyl acetate monomer originating in the United States OJ C 164, 2.7.1986</p> <p><i>Initiation of review of anti-dumping measures concerning imports of:</i></p> <p>Certain chemical fertilizer originating in the United States OJ C 219, 30.8.1986 (definitive anti-dumping duty: OJ L 39, 12.2.1981 and OJ L 15, 19.1.1983; acceptance of price undertaking: OJ L 2.11, 3.8.1983; annulment by Court and notice of expiry: OJ C 1.47, 15.6.1985 and OJ C 338, 31.12.1985)</p> <p>Copper sulphate originating in Czechoslovakia, Hungary, Poland or the Soviet Union OJ C 200, 9.8.1986 (definitive anti-dumping duty and acceptance of initial undertaking: OJ L 274, 7.10.1983 and OJ L 281, 13.10.1983; initial review and acceptance of three undertakings: OJ L 225, 22.8.1984; OJ L 275, 18.10.1984; OJ L 41, 12.2.1985)</p>

Council	Commission ¹
	<p><i>Termination of anti-dumping proceeding concerning imports of:</i> Portland cement originating in the German Democratic Republic, Poland or Yugoslavia OJ L 202, 25.7.1986 (initiation of proceeding: OJ C 84, 2.4.1985)</p> <p><i>Expiry of anti-dumping measures concerning imports of:</i> Electric light bulbs originating in Hungary, Poland or Czechoslovakia OJ C 178, 16.7.1986</p> <p>Safeguard measures</p> <p><i>Provisional measures applicable to imports into Spain of:</i> Urea originating in certain non-member countries OJ L 229, 15.8.1986 (initiation of proceeding: OJ C 154, 20.6.1986)</p>

¹ For iron and steel products, see point 2.1.34.

Export credits

2.2.5. Under the Arrangement on Guidelines for Officially Supported Export Credits ('Consensus'),¹ the automatic adjustment mechanism for minimum interest rates was implemented to bring the rate applicable from 15 July² down by 1.40 percentage points.

Sectoral commercial policy matters³

Textiles

Agreements and arrangements with non-member countries

MFA countries

2.2.6. The bilateral negotiations for the renewal of agreements covering trade in textiles continued in Brussels in July. New agreements were initialled with Romania, Hungary, Bulgaria, Macao and Bangladesh.

Relations with industrialized countries

United States

Citrus fruit and pasta

2.2.7. In July and August active negotiations resumed between the Commission and the United States on the Community's Mediterranean trade preferences. The purpose of the talks was to seek a solution to the dispute arising from the protest by the United States against the trade preferences accorded by the Community to the Mediterranean countries as part of its policy of aiding their development. This dispute led the United States to take reprisals from 1 November 1985 on its imports of pasta products from the Community, in the form of a considerable increase in customs duty, from 1% to 25% for pasta products containing eggs and 40% for those not. In response to this unilateral decision the

¹ Bull. EC 10-1983, point 2.2.10.

² Bull. EC 1-1986, point 2.2.4.

³ For iron and steel products, see points 2.1.32 and 2.1.33.

Community felt obliged to take counter-measures affecting its imports of walnuts and lemons from the United States.¹ At the same time the Community reaffirmed its desire to achieve a negotiated settlement.

Over the previous few months Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy, had been in constant touch with Mr Clayton Yeutter, United States Trade Representative. These contacts intensified in July and August, when they were conducted on the basis of the conclusions reached at the Council meeting on foreign affairs on 21 and 22 July.

In its conclusions, the Council emphasized the importance it attached to the Commission obtaining adequate assurances from the United States that it would not in future challenge the Community's Mediterranean agreements. The Council also declared its willingness, in the context of such assurances, to seek with the United States ways of removing the measures taken by each side in November 1985.¹

The negotiations were completed on 10 August and Mr De Clercq and Mr Yeutter were able to come to an *ad referendum* agreement, a key provision of which was that the United States recognized the importance of the agreements between the Community and the Mediterranean countries and agreed not to challenge their consistency with Article XXIV of the General Agreement on Tariffs and Trade.

The agreement will also enable the dispute over citrus fruit to be finally settled. Its other provisions will lead to greater liberalization of trade through reciprocal concessions on almonds, green olives, oranges, anchovies and capers. These will come into effect on the dates laid down in the agreement and after they have been finally approved by both parties. Nevertheless, under the agreement, on 21 August the United States removed the increased duties levied on pasta imported from the Community which had been in force since 1 November 1985 and the Community removed the increased duties on lemons and

walnuts from the United States which had been in force since 4 November 1985.²

Following this agreement Mr De Clercq and Mr Yeutter made the following joint press statement:

'After a further round of intensive negotiations, we have found a basis for a settlement of our long-standing dispute in relation to the Community's Mediterranean preferential trade agreements on citrus and a *modus operandi* for reaching a prompt and mutually satisfactory solution on pasta.

We shall now report to our respective authorities. Subject to their approval, both sides will proceed immediately to dismantle the various trade restrictions on pasta, lemons and walnuts introduced in November 1985. At a later stage, both sides will implement a series of reciprocal measures which will further liberalize EC/US trade.

Moreover, we are pleased to announce that the EC/US agreement on semifinished steel products, negotiated some weeks ago, can now be implemented.'

Interim agreement on consequences of enlargement

2.2.8. On 7 July the Council agreed to the interim solution negotiated *ad referendum*, on the basis of the mandate it had given on 16 June,³ between the Commission and the United States on the consequences of enlargement as regards Spain.

The Council asked the Commission to communicate this agreement to the United States and to check that the US side also agreed.

Mr De Clercq told the press that he was extremely satisfied with the interim agreement. It had stopped the dispute from escalating, which would have had serious consequences not only for the two parties directly involved but also, in the run-up to the new GATT round, for world trade. This solution to the dispute did not in any way call into question the enlargement negotiations as a whole. The details of the agreement are as follows:

¹ OJ L 292, 2.11.1985; Bull. EC 10-1985, point 2.3.11.

² OJ L 235, 21.8.1986.

³ Bull. EC 6-1986, point 2.2.11.

(i) The solution adopted is a short-term one to apply from 1 July to 31 December 1986.

(ii) During this six-month period, the Community will monitor the development of American exports of five products: maize, sorghum, corn gluten feed, brewer's grains and citrus pellets. All these products are used for the same purpose — animal feed — and the import arrangements governing them changed on 1 March 1986, in the case of the first two to the disadvantage of American exporters and in the case of the other three to their advantage.

Should American exports of these products fall below 234 000 tonnes per month in the said period, the necessary measures will be taken to ensure the balance is indeed imported by the Community. The figure of 234 000 tonnes per month corresponds to the monthly average of the relevant American exports in 1985 (allowing for a slight seasonal variation).

The said balance will be imported by a reduced levy quota, the levy being fixed by tendering procedure.

This mechanism will come into operation in October.

(iii) The Community and the United States undertook to accelerate the negotiations under Article XXIV(6) of the General Agreement with a view to concluding them at the end of December 1986.

2.2.9. Following this agreement, on 25 July the Commission sent the Council a proposal for a Regulation which would reduce the levy rate on maize and sorghum if imports from the United States were less than 234 000 tonnes.¹

US/Japan agreement on semiconductors

2.2.10. The Community was informed that the United States and Japan had concluded an agreement on international trade in semiconductors, providing *inter alia* for a system to monitor exports to third countries, including the Community. As the Community imports about two thirds of its consumption of semiconductors, the agreement will have considerable repercussions on prices and the structure of the industry within the EEC. The Commission is looking at the consequences of this agreement before deciding what would be the most appropriate course of action to protect the

Community's interests, possibly under the GATT.

Canada

2.2.11. In July the Canadian authorities decided to apply a definitive countervailing duty on beef imports from the Community. This decision was taken after a long series of bilateral discussions between the Commission and the Canadian authorities.² During these discussions, which were carried out in conformity with the relevant GATT provisions, the Commission endeavoured to persuade the Canadian authorities that imports into Canada of beef from the Community had not disturbed, and did not threaten to disturb, the activities of Canadian producers.

The Community considered that the Canadian decision to apply this duty was not consistent with the relevant GATT provisions and consequently decided to pursue the issue under the multilateral GATT dispute settlement procedure.

Japan

2.2.12. The 26th round³ of high-level consultations between the Commission and Japan was held in Brussels from 7 to 9 July. Community-Japan relations as a whole were reviewed. In spite of various steps to liberalize the Japanese market, the Twelve's trade deficit with Japan amounted in 1985 to 18 000 million ECU. During the first six months of 1986 the gap assumed even more serious proportions, perhaps because of Japanese exports being diverted from the United States to Europe. The pressure was particularly heavy in certain industries, such as machine tools and motor vehicles.

As regards cooperation, the Commission and the Japanese authorities both stated their desire to press ahead (science and tech-

¹ OJ C 232, 13.9.1986; COM(86) 443 final.

² Bull. EC 5-1985, point 2.2.22; Bull. EC 11-1985, point 2.3.13; Bull. EC 5-1986, point 2.2.23.

³ Bull. EC 6-1985, point 2.3.15.

nology, industrial cooperation, the North-South dialogue, energy, and monetary and financial matters).

2.2.13 From 16 to 19 July a group of officials had discussions with the relevant Japanese ministries about the difficulties in the wines and spirits sector (massive customs duties combining with highly progressive excise duties to place a heavy burden on Community produce, distribution systems).¹

Given this disappointing outcome, and the worsening trade deficit with Japan, not to mention Japanese exports being diverted to Europe, the Council meeting on foreign affairs on 21 July invited the Commission:

- (i) to pursue its efforts to reach a satisfactory solution regarding wines and spirits and, to this end, to request the immediate opening of consultations under Article XXII of the GATT; should a satisfactory outcome not be achieved by the autumn, the Community should not hesitate to invoke Article XXIII;
- (ii) to give active consideration to the possibility of opening similar discussions in other sectors;
- (iii) to undertake a review of Japan's unfair trading practices;
- (iv) to ensure that Community machinery for monitoring trade with Japan works as effectively as possible;
- (v) to present to the Council, by October or November, a full report detailing the situation in the various sectors concerned.

European Free Trade Association

Adaptation of Community-EFTA agreements following enlargement

2.2.14. On 14 July the Council, the Commission and representatives of the EFTA countries signed the adaptation protocols to the free-trade agreements and the ECSC-EFTA country agreements, and exchanged letters concerning agricultural and fishery products and products not covered by these

agreements. The agreements are to replace the unilateral measures in force provisionally from 1 March.²

Joint Committees

2.2.15. A special joint committee meeting was held on 25 July to examine recent trends in Portugal's textile exports to Austria.

2.2.16. The joint committees set up by the framework agreements on scientific and technical cooperation which the Community has signed with Switzerland and Sweden held their first meetings in Brussels in July (→ point 2.1.38).

Austria

2.2.17. In July Mr Peter Jankowitsch, Austria's Minister for Foreign Affairs, paid his first visit to the Commission, where he met Mr Delors, Mr Narjes, Mr De Clercq and Lord Cockfield to discuss matters of mutual interest.

During the visit a framework agreement for scientific and technical cooperation between the Community and Austria was signed (→ point 2.1.37).

Relations with other countries and regions

Mediterranean countries³

Malta

2.2.18. On 7 July the Council adopted a Regulation on the conclusion of the second

¹ Bull. EC 4-1986, point 2.2.14.

² Bull. EC 12-1985, point 2.3.21; Bull. EC 2-1986, point 2.2.10.

³ For financial and technical cooperation with the southern and eastern Mediterranean countries, see point 2.2.51.

Financial Protocol¹ concerning financial and technical cooperation between the Community and Malta.² The protocol takes effect on 1 October and provides for 29.5 million ECU as financial aid for the period ending on 31 October 1988 (16 million ECU in the form of EIB loans, 13.5 million ECU from the Community's budgetary resources, of which 3 million ECU in the form of loans on special terms and 10.5 million ECU as grants).

Cyprus

2.2.19. In July the Commission decided on the financing of the second stage of the town improvement plan for Nicosia, involving a grant of 2.4 million ECU and a loan on special terms of 1.2 million ECU under the second Financial Protocol. The first stage was financed by the Community under the first protocol.

Yugoslavia

2.2.20. The fifth meeting of the EEC-Yugoslavia Cooperation Council was held on 22 July.³ The Cooperation Council expressed satisfaction with the general development of trade until 1984 but concern about the deterioration of the situation in 1985, in particular the increase in Yugoslavia's deficit with the Community, and about various specific problems. It confirmed the importance it attached to the negotiation of new trade arrangements and a second Financial Protocol,⁴ which should contribute to the achievement of the objectives of the Cooperation Agreement.⁵ The Cooperation Council took note of the deep concern of the Yugoslav Government about the suspension of food imports from Yugoslavia following the accident at Chernobyl and of its desire that the crisis of confidence so caused be overcome.⁶

It also noted the Community's statement that the measure had been taken only to protect public health, in accordance with the Cooperation Agreement, and that the suspension had been replaced by arrange-

ments that should allow Yugoslavia's exports to return to normal.

The Cooperation Council expressed its satisfaction with the development of economic and technical cooperation, particularly in the fields of science and technology, where several joint projects are being undertaken. It adopted a decision on the continuation of cooperation in the period 1986-87.

Egypt

2.2.21. Mr Cheysson, Member of the Commission with special responsibility for Mediterranean policy, visited Egypt from 11 to 15 July. He was received by the President, Mr Hosni Mubarak. He met the Prime Minister, Mr Ali Lofti, and the Deputy Prime Minister and Ministers for Foreign Affairs, Agriculture and Planning. Mr Cheysson also visited the Minister for the Economy and Foreign Trade, the President of the People's Assembly and the Governor of the Central Bank of Egypt. The discussions centred on the future of cooperation between Egypt and the Community, the situation in the Middle East and recent economic developments in Egypt.

Countries of the Gulf and the Arabian Peninsula

2.2.22. On 21 July at the Council meeting on foreign affairs, Mr Cheysson spoke about the exploratory talks which the Commission had undertaken with the Gulf Cooperation Council on the negotiation of an agreement between the GCC and the Community.⁷

¹ OJ L 216, 5.8.1986.

² Bull. EC 9-1986, point 2.3.13.

³ Bull. EC 6-1985, point 2.3.25; Bull. EC 5-1986, point 2.2.30.

⁴ Bull. EC 6-1985, point 2.3.24.

⁵ OJ L 41, 14.2.1983; Bull. EC 1-1983, point 2.2.21; Bull. EC 4-1983, point 2.2.27.

⁶ Bull. EC 5-1986, point 2.2.30.

⁷ Bull. EC 12-1985, point 2.3.31; Bull. EC 3-1986, point 2.2.19; Bull. EC 4-1986, point 2.2.24.

The Council reaffirmed the importance it attached to strengthening relations with the GCC and asked the Commission to provide it rapidly with proposals so that negotiations on the agreement could be started.

Asia¹

Association of South East Asian Nations

2.2.23. On 3 July the Economic and Social Committee issued an own-initiative opinion on relations between the European Community and the Asean Member States (→ point 2.4.37).

Philippines

2.2.24. The Vice-President of the Philippines, Mr Laurel, visited the Commission on 16 July and had talks with Mr Delors, President of the Commission, Mr Marín, Vice-President, Mr Cheysson, the Member of the Commission with responsibility for North-South relations, and Mr De Clercq, who is responsible for external relations and trade policy.

Vice-President Laurel outlined the current economic and political situation in the Philippines. A referendum on the new Philippine constitution is to be held in November, followed by national and local elections next February.

The Vice-President welcomed the recent announcement made by Mr Cheysson in Manila of a Community aid package which he said would act as a catalyst for other industrial partners.² He sought support for the country's negotiations with the IMF with regard to its high debt obligations (USD 2 200 million a year). Increasing exports, in particular to the Community, was considered to be one of the main ways of meeting this debt and of creating badly needed employment.

In this context it was agreed that specific trade issues on coconut oil and sweet potatoes would be examined by experts.

Interest was also shown in the possibility of a study on Philippine fishing resources, raised the previous day in a meeting between Mr Cardoso e Cunha and Mr Concepcion, Minister for Trade and Industry. Such a study could form the basis for future fishing arrangements on the principle of access to waters in return for access to markets.

Other topics of discussion during the visit included the possibility of restrictive legislation envisaged by certain Member States with regard to immigrant workers and the new GATT trade negotiations. Mr Cheysson also indicated the Community's willingness, on request from the Philippines, to provide additional food aid and, following the recent typhoon, emergency aid.

South Korea

2.2.25. A monitoring meeting was held between a Commission delegation and a Korean delegation in Brussels on 15 and 16 July.

At the third round of high-level consultations between the Commission and South Korea, held in Seoul in mid-November 1985, it had been agreed that between the annual consultations meetings would be held at a more technical level in order to examine what follow-up there should be to the guidelines adopted earlier and to consider any other issue concerning the two parties.³

The exchange of views covered the programme for liberalizing the Korean market (the Community being keen that the Korean programme under way should not only be maintained but accelerated and broadened), the protection of intellectual property and the problem of counterfeit goods, areas in which the Korean authorities have undertaken to take action by reinforcing their

¹ For financial and technical cooperation with countries in Asia, see point 2.2.51a.

² Bull. EC 11-1985, point 2.3.30.

³ Bull. EC 11-1985, point 2.3.20.

legislation and adapting their relevant rules and regulations.

Attention was also directed to shipbuilding (Korea is the world's second-largest shipbuilding country, after Japan), and the Korean authorities' intention to diversify the sources they purchase from (in order to reduce Korea's large trade deficit with certain countries), which would provide more opportunities for Community exporters.

Opportunities for cooperation in the area of science and technology were examined further in order to identify sectors of common interest, and it was decided that contacts for the purpose of information at technical level would be continued.

Lastly, the Korean delegation provided some detailed information on the trade and investment mission which is to visit several Member States in October and will represent the machinery, electrical equipment, chemicals and footwear industries.

Maldives

2.2.26. Mr Fathulla Jameel, Foreign Minister of the Maldives, visited the Commission and, in his talks with Mr Cheysson, renewed his country's application to accede to the Lomé Convention. Mr Cheysson made the point that the Maldives do not seem to fulfil the necessary conditions. However, as a 'least-developed country', the Maldives already enjoy a status very much like that of the ACP countries; in particular, it has access to the GSP trade arrangements and the Community financial and technical assistance. It was agreed that the opportunities for cooperation between the two parties on fishing and tourism, the two pillars of the Maldivian economy, should be explored.

Laos

2.2.27. Mr Soubanh Srithirath, the Deputy Foreign Minister of Laos, visited the Commission, this being the first official

contact of a Lao representative with the Commission.

In his talks with Mr Cheysson, the Lao Minister expressed his Government's desire to develop links with the western world and to establish more sustained relations with the Community. He requested the Commission's support for a project for the supply of drinking water. Mr Cheysson confirmed the Community's interest in continuing and increasing financial and technical assistance to Laos. He also confirmed that Laos would be included in the new Stabex system, the actual entry into effect of the system being subject to the adoption of provisions being discussed by the Council.¹

Latin America²

Uruguay

2.2.28. Mr Iglesias, the Uruguayan Foreign Minister, visited the Commission with the double aim of taking stock of relations between the Community and Uruguay and having an exchange of views on the new GATT trade negotiations to be opened at Punta del Este in September.

The Minister was received by Mr Delors and various members of the Commission: Mr Cheysson, Mr De Clercq and Mr Andriessen. He was interested in the prospects for Uruguay's traditional trade and also the opportunities for cooperation on fisheries.

State-trading countries

China

2.2.29. Mr Delors, accompanied by Mr Noël, the Commission Secretary-General, paid an official visit to China from 1 to 5 July.

¹ Bull. EC 6-1986, point 2.2.50.

² For financial and technical cooperation with Latin American countries, see point 2.2.51a.

During his visit he had talks with Chairman Deng Xiaoping, the acting Premier Wan Li, Vice-Premier and Minister in charge of the Education Commission Li Peng, State Councillor and Foreign Minister Wu Xueqian, State Councillor and Minister in charge of the Scientific and Technological Commission Song Jian, and the Minister for Foreign Trade and Economic Relations Zheng Tuobin.

The talks pointed up the growing importance that China attributes to the Community and also the convergence of views on a large number of international issues. The two parties expressed their determination to take measures so that the level of economic and trade relations should correspond to the level of political relations, which they said were excellent. The Chinese authorities expressed their satisfaction at the idea of the Community's opening an information office in Peking. In order to stimulate cooperation a number of specific decisions were taken in three fields:

Trade and economic relations. In order to promote Chinese exports and reduce China's trade deficit it is planned to arrange a third Business Week in early 1988, to organize marketing seminars in China, and to draw up together with Chinese experts a study on the prospects for Chinese exports.

Science and technology. It is also planned to establish a Sino-Community biotechnology centre in Peking, to help China in the matter of the safety of nuclear and civil installations (a party of Chinese experts will visit Brussels in October for this purpose), to embark on cooperation in thermonuclear fusion and organize Chinese missions to Europe in order to familiarize Chinese engineers with our methods of producing and distributing natural gas.

Education. The number of Chinese trainees and scientific research workers in the Community will be increased.

Romania

2.2.30. At the end of June the Commission transmitted to the Council a request for

negotiating directives for the purpose of broadening the present trade agreement between the Community and Romania.¹

Development

Generalized tariff preferences

Information seminars

2.2.31. From 21 to 23 July the Commission held a seminar in Buenos Aires on economic and trade cooperation between the Community and Argentina and the generalized preferences. Considerable interest was shown in this seminar, which was attended by a hundred or so businessmen, government officials and representatives of chambers of commerce.

Commodities and world agreements

Cocoa

2.2.32. A new international Agreement on cocoa, intended to take the place of the international Agreement which was concluded in 1980² and is due to expire on 30 September, was concluded in Geneva on 26 July. Despite a number of difficulties and some hold-ups during two years of negotiations, the negotiators succeeded in reaching a consensus on an Agreement containing a number of economic clauses which should help stabilize the market in cocoa over the next few years. The Agreement is designed to maintain the normal practices on the cocoa market as far as possible and contains adjustment mechanisms which should ensure that the market functions with minimum disturbance. The mechanisms include, in addition to a buffer stock, an additional withholding scheme rather

¹ OJ L 352, 29.12.1980; Fourteenth General Report, point 705; Bull. EC 6-1986, point 2.2.38.

² Bull. EC 11-1980, point 2.2.19.

than a system of quotas, the shortcomings of which have been revealed by experience. The conclusion of the negotiations was helped by the prior agreement reached on the need for a consensus on price levels and structures and price adjustment mechanisms. Once the political will to secure agreement on the economic aspects had been given practical expression, it became essential to overcome any difficulties that might arise—and which did in fact arise—during the last stage of the negotiations. A spirit of understanding constantly prevailed between the producers—notably the ACP countries (Côte d'Ivoire, Ghana, Nigeria and Cameroon in particular) and Brazil—and the Commission. Lastly, it should be pointed out that the reference currency for this new Agreement is no longer a single currency (the dollar) but special drawing rights (SDRs).

The fourth Agreement on cocoa should therefore create a more favourable climate for discussion of the general problem of commodities at the 1987 session of Unctad.

Mr Lorenzo Natali, Vice-President of the Commission with special responsibility for development cooperation policy, made the following statement:

'The importance of the Cocoa Agreement ... goes beyond the strict context of the product in question and one may say that with its conclusion a new generation of commodity agreements has been born, for it is an act of confidence in the possibility of finding fair and equitable solutions for the commodities markets, on which the well-being of the developing countries is so closely dependent.

I hope that the negotiators of Unctad VII, who are to meet in the autumn of next year, will interpret in a positive manner the signal given by the new Cocoa Agreement.'

Tropical timber

2.2.33. When the International Tropical Timber Council reconvened from 28 July to 1 August it finally broke the deadlock reached in its previous discussions concerning the location of the headquarters of the International Tropical Timber Organiza-

tion and the appointment of the Organization's Executive Director.¹

The Timber Council chose the city of Yokohama in Japan for its headquarters and appointed Mr Freezaillah bin Che Yeom, from Malaysia, as Executive Director.

Campaign against hunger in the world

Food aid

Reform of food aid policy and management

2.2.34. On 22 July the Commission sent the Council a proposal for a Regulation on the reform of food aid policy and management (normal aid and emergency aid). This reform involves amendments to the basic rules (framework regulation) and to the implementing and mobilization regulations and changes in the organization of the departments responsible for implementing the aid. The reform is designed to meet three objectives, as follows:

- (i) to incorporate food aid more effectively into development aid policy;
- (ii) to remove certain ambiguities in the text at present in force which are a source of frequent conflict between the Community institutions;
- (iii) to avoid spreading management responsibilities too widely, by strengthening the Commission's powers of implementation.

The Commission consequently adopted a proposal for a framework Regulation to replace the Council Regulation of 3 December 1982.²

In addition to the reform of food aid management, the Commission announced that

¹ Bull. EC 5-1986, point 2.2.44.

² OJ L 352, 14.2.1982; Bull. EC 12-1982, point 2.2.36.

Development

it intended to examine in the autumn the trade measures which could be taken to facilitate imports by developing countries which wished to purchase foodstuffs from the Community.

2.2.35. On 3 July the Commission decided on the following food aid operations under the 1986 budget, following the favourable opinion delivered by the Food Aid Committee on 18 June:

(tonnes)

	Cereals	Non-vitamin-enriched milk powder	Vitamin-enriched milk powder	Butteroil	Sugar	Vegetable oil	Legumes
Djibouti	4 000	—	—	—	—	—	200
Guyana	—	300	—	100	—	—	—
Jamaica	—	—	500	100	—	—	—
Madagascar	20 000	350	—	180	—	—	—
Sri Lanka	40 000	—	—	—	—	—	—
Total	64 000	650	500	380	—	—	200

2.2.36. On 18 July the Commission decided on the following food aid operations under the 1986 budget, following the

favourable opinion delivered by the Food Aid Committee on 9 July:

(tonnes)

	Cereals	Non-vitamin-enriched milk powder	Vitamin-enriched milk powder	Butteroil	Sugar	Vegetable oil	Other
Angola	18 000	600	—	20	—	—	66 (fish)
Bangladesh	152 000	—	—	—	—	1 000	—
Comores	2 000	—	100	—	100	100	—
Egypt	120 000	3 300	—	2 500	—	—	—
Ghana	10 000	750	—	250	—	—	—
Guinea	6 000	—	—	—	—	—	—
Lebanon	10 000	300	—	200	—	—	—
Mali ¹	(15 000)	—	—	—	—	—	—
Nicaragua	5 000	1 800	—	300	—	500	3 500 (beans)
Peru	6 000	—	1 600	200	—	—	—
Sierra Leone	6 000	—	400	—	—	—	—
Tunisia	—	3 000 (whole milk)	—	—	—	—	—
Total	335 000	9 750	2 100	3 650	100	1 600	3 500 (beans) and 66 (fish)

¹ Food aid replacement operation — decision taken on 19 February.

2.2.37. In July and August the Commission decided on the following emergency food aid operations: 20 000 tonnes of cereals for Ethiopia, for distribution via the Lutheran World Federation under the programme of assistance to Ethiopian churches; 4 900 tonnes of cereals for refugees in Sudan, to be channelled through the WFP. This aid will be supplied from the 1985 Community contribution to the IEFRR (International Emergency Food Reserve); and 27 000 tonnes of cereals for China, intended for the population of Guangdong province, which suffered the worst of the damage caused by typhoon Peggy.

Grasshopper control in Africa

2.2.38. Since the beginning of the year the Commission has taken a number of steps to combat the proliferation of locusts and grasshoppers which are endangering crops in Africa:

(i) decisions on the financing of campaigns costing in all about 6 million ECU for the following countries: Mali, Mauritania, Ethiopia, Sudan, Chad and Burkina Faso;

(ii) setting-up of the Commission's own early warning system based on regular telex messages from the Commission delegates in the ACP countries;

(iii) setting-up of an 'emergency unit' responsible for assessing the situation, proposing measures to be taken, and mobilizing aid.

This action was taken by the Commission on its own account, without awaiting comprehensive action on the part of the international community, which is being coordinated by the FAO. As befits its role in such situations, irrespective of whether they arise in ACP or other countries, the FAO has been particularly active over the last few months.

The Commission is keeping a close watch on developments in the Sahel and other African countries under threat, particularly Botswana. It will take any decisions neces-

ary on contributing to the efforts to control locusts and grasshoppers or helping to repair the damage if the efforts made since the beginning of the year to halt their proliferation prove inadequate.

Emergency aid

Chile

2.2.39. Following the floods which swept central Chile, leaving nearly 60 000 people homeless, the Commission decided on 2 July to grant emergency aid of 250 000 ECU for the disaster victims.

The aid is to be used for the distribution of urgently needed essentials (blankets, mattresses and medicines) and kits for providing temporary shelter and/or repairing rural housing, and is being implemented by Caritas Chile.

China

2.2.40. As a further consequence of the devastation caused by typhoon Peggy in the Guangdong province in China, the Commission decided on 31 July to grant emergency aid of 500 000 ECU for the supply and distribution of aid and basic essentials.

Aid to help groups of refugees achieve self-sufficiency

2.2.41. On 10 July the Commission adopted a decision to grant aid to help the Afghan refugees at the Pakistan border to achieve self-sufficiency (1 705 000 ECU from Article 936 of the Community budget).

2.2.42. On 11 July the Commission adopted a decision to grant aid to help the Khmer refugees living along the border between Kampuchea and Thailand to achieve self-sufficiency (1 400 000 ECU from Article 936 of the Community budget).

Programme of positive measures concerning South Africa

Initial financing decisions

2.2.43. On 22 July the Commission decided on the first financial contributions,

amounting to 5 million ECU, for programmes of assistance for apartheid victims.

The aid funds will be made available to South African organizations with non-violent aims, in particular churches and trade unions, and will be used to finance welfare and humanitarian schemes, in particular educational and training programmes. The aid will be channelled through European NGOs and trade union organizations.

The measures will be financed from the 10 million ECU entered in the 1986 budget (Article 953) following the decisions taken by the 10 Member States of the Community and by Spain and Portugal at the ministerial meeting on political cooperation held in Luxembourg on 10 September last year.¹

*

2.2.44. On 10 July Parliament adopted two resolutions, one on Cap Anamur II and the reception given to the boat people in the Member States of the European Community (→ point 2.4.15), and the other on the political situation and outlook in southern Africa (→ point 2.4.12).

Trade promotion

ACP States

2.2.45. The Commission played an active part in the third preparatory meeting, which took place on 16 and 17 July at the headquarters of Denmark's Fund for the industrialization of the developing countries (IFU) in Copenhagen, ahead of the West African Industrial Forum, to be held in Dakar from 1 to 4 December.

2.2.46. A meeting of experts was held in Brussels on 8 July on the barriers and constraints in the Member States of the Community affecting North-South cooperation between firms. A report on this subject will be available at the beginning of 1987.

Stabex

Transfers

2.2.47. On 9 July the Commission decided to make the following nine transfers for the 1985 application year:

¹ Bull. EC 9-1985, point 2.5.1.

	Amount	Product
Comoros	2 058 262	Cloves
Gambia	3 721 625	Groundnuts
Gambia	20 525	Oilcake
Niger	5 873 613	Beans
Samoa	59 208	Wood in the rough
Senegal	12 567 437	Groundnut products
Sudan	13 697 302	Oilcake
Tanzania	4 321 555	Cashew nuts and kernels
Togo	9 314 603	Cocoa
Total	67 634 130	

(ECU)

This total includes advances of 1 million ECU and 15 million ECU respectively on the transfers to Gambia (groundnuts) and Senegal.¹

2.2.48. On 19 August decisions were taken on a further eight transfers:

(ECU)		
	Amount	Product
Ethiopia	6 968 238	Beans
Fiji	263 918	Coconut oil
Guinea-Bissau	198 712	Palm nuts and kernels
Mozambique	2 232 855	Cashew nuts and kernels
Mozambique	97 166	Cotton
Mozambique	6 617 256	Tea
Sudan	28 873 394	Groundnut products
Tonga	501 720	Copra products
Total	45 753 259	

This brought the total amount of transfers (including those approved on 9 July) to 113 387 389 ECU.

For the 1985 application year, the Commission received a total of 38 requests for transfers from 20 ACP States. In addition to the requests approved, the examination of a further 11 has been completed. These requests were rejected.

Financial and technical cooperation

ACP States

2.2.49. In July the Commission decided to allocate resources from the fourth, fifth and sixth EDFs totalling 62 094 000 ECU to finance projects, programmes and emergency aid operations which it administers, (see Table 12).

¹ Bull. EC 3-1986, point 2.2.46; Bull. EC 12-1985, point 2.3.51.

12 — Financing of operations under the fourth, fifth and sixth EDFs

(million ECU)			
	Project	Amount	
		Grants	Loans
<i>Industrialization</i>			
Lesotho	Highlands water scheme		9.500
Botswana	Mining and quarrying		1.600
<i>Economic infrastructure</i>			
Malawi	Roads	11.500	10.000
Papua New Guinea	Roads	3.230	3.770
Fiji, Kiribati, Tonga, Tuvalu and Vanuatu	Airports	4.600	
Grenada	Roads	3.500	

Table 12 — (continued)

		(million ECU)	
	Project	Amount	
		Grants	Loans
<i>Rural production</i>			
Sierra Leone	Fisheries	0.650	
Rwanda	Technical assistance for the Tea Board	0.300	
Botswana	Conservation of the ecosystem	2.000	
Malawi	Agriculture	4.480	
Trinidad and Tobago	Livestock production	0.750	
<i>Social development</i>			
Chad	Education infrastructure	1.350	
Sierra Leone	Health infrastructure	1.500	
Djibouti	Water supplies	0.800	
Falkland Islands	Education infrastructure	0.050	0.314
<i>Other</i>			
Mali	Multi-sectoral programmes	1.400	
<i>Emergency aid</i>			
Uganda	For repatriated Ugandans	0.500	
Sierra Leone	For cholera victims	0.100	
Total		36.910	25.184

2.2.50. In August the Commission decided to allocate resources from the fifth and sixth EDFs totalling 4 650 000 ECU to finance

operations under the heading of the emergency aid which it administers.

Table 13 — Financing of operations from the fifth and sixth EDFs

		(million ECU)	
	Project	Amount	
		Grant	
Ethiopia	} For victims of malnutrition Supply of pesticides and other products needed for locust and grasshopper control	2.500	
Chad		0.375	
Niger		0.075	
Mali		0.415	
Mauritania		0.115	
Senegal		0.650	
Guinea-Bissau		0.045	
Burkina Faso		0.210	
Gambia		0.115	
Cameroon		For the victims of the poisonous gas in the Lake Nios area	0.150
Total		4.650	

Southern and eastern Mediterranean countries

2.2.51. The Commission took the following decisions on the allocation of funds under the Cooperation Agreements with Mediterranean non-member countries:

Tunisia: 17.8 million ECU (13.3 million ECU in grants and 4.5 million ECU in special loans) for an agricultural credit operation for integrated individual projects carried out by farmers with small and medium-sized holdings in the less favoured areas of Tunisia; 7 million ECU in the form of special loans for a project involving five agricultural complexes, the total cost of which is 21 million ECU (14 million ECU coming from the EIB's own resources).

Syria: 8.25 million ECU in the form of grants for the Higher Institute of Applied Science and Technology.

Latin American and Asian developing countries

2.2.51a. The Commission decided in June and July, with the prior agreement of the Committee on Non-associated Developing Countries, to finance the following operations from the appropriation in Article 930 of the Community budget:

Bolivia: Flood protection programme — Santa Cruz; cofinancing with the Netherlands. Total cost: 11.5 million ECU. Community contribution: 9 million ECU.

Non-associated developing countries and bodies eligible for financial and technical assistance: Services of expatriate experts; autonomous project. Total cost: 6 million ECU. Community contribution: 6 million ECU.

Pakistan: Second vocational training project in rural areas; parallel cofinancing with IDA. Total cost: 103.7 million ECU. Community contribution: 16 million ECU.

Nepal: Arjun Khola medium-scale irrigation project; autonomous project. Total

cost: 1 560 000 ECU. Community contribution: 1 536 000 ECU.

Pakistan: Rural electricity supply; autonomous project. Total cost: 11.9 million ECU. Community contribution: 10 million ECU.

*Five CGIAR research institutes (CIAT, CIP, Icrisat, IRRI, Isnar):*¹ Aid for research; cofinancing with CGIAR. Total cost: 90 434 000 ECU. Community contribution: 6.7 million ECU.

Honduras: Repair and maintenance of access roads in the coffee-producing areas; autonomous project. Total cost: 10 million ECU. Community contribution: 2 750 000 ECU.

China: Strengthening of soil and water conservation measures in Sichuan province; autonomous project. Total cost: 3.5 million ECU. Community contribution: 1.5 million ECU. Rubber quality improvement; autonomous project. Total cost: 2.6 million ECU. Community contribution: 900 000 ECU.

Mexico: Building of a hospital; autonomous project. Total cost: 5.2 million ECU. Community contribution: 5.2 million ECU.

Cooperation via non-governmental organizations

2.2.52. In the period from 1 January to 31 July, the Commission committed 21.6 million ECU for the cofinancing in developing countries of 153 projects presented by 96 NGOs.

The Commission also contributed 2 586 575 ECU to 44 publicity campaigns in the Community.

¹ CGIAR (Consultative Group on International Agricultural Research), which has five research centres: CIAT (International Centre for Tropical Agriculture), CIP (International Potato Centre — Lima, Peru), Icrisat (International Crops Research Institute for the Semi-Arid Tropics), IRRI (International Rice Research Institute — Manila, Philippines) and Isnar (International Service for National Agriculture Research).

2.2.53. In the period from 1 January to 31 August, the Commission committed 26 million ECU for the cofinancing of 183 projects presented by 104 NGOs.

The Commission also contributed 2 725 835 ECU to 46 publicity campaigns in the Community.

International organizations and conferences

United Nations

Economic and Social Council

2.2.54. An important item on the agenda at the regular session of the UN Economic and Social Council, held in Geneva from 2 to 23 July, was a debate on the interrelated issues of money, finance, debt, resource flows, trade and development. The general debate focused on the problems of debt and protectionism. In accord with the UN Secretary-General, Mr Pérez de Cuéllar, and the new Executive Secretary of Unctad, Mr Dadzie, Mr de Larosière of the IMF pointed out the acute financial difficulties of the developing countries and the consequences for growth. Many representatives of the developing countries warned against the net transfer of resources from the developing to the developed countries.

The representatives of the Council and of the Commission, speaking on behalf of the Community and its Member States, recognized the seriousness of the developing countries' external debt problem. They emphasized the importance of international consultation and cooperation for ensuring steady growth in both the industrialized and the developing countries.

The Community continues to play an active role in development and cooperation, and it recognizes the usefulness of international monitoring. The Commission representative pointed out that it was in the developing countries' interest to participate actively in

the new round of multilateral trade negotiations and reaffirmed the Community's policy of according preferential treatment to the least-developed countries.

As to the 'interrelated issues', it was decided, after an initial exchange of views on the paper prepared by the Second Committee of the General Assembly at its May meeting,¹ to defer consideration until the autumn session of the General Assembly, when 'the debt crisis and development' was to be debated. A resolution on the transfer of resources from the developing countries to the developed countries was adopted.

The Council also discussed the question of Israel's admission to the Economic Commission for Europe. It was voted to hold over this debate until the 1987 session.

General Agreement on Tariffs and Trade

Council

2.2.55. At its regular session on 15 July,² the GATT council approved the protocol for Mexico's accession to the General Agreement, thus making it possible for Mexico to take part in the Punta del Este ministerial meeting on the new round of multilateral trade negotiations as a contracting party. The Community and the other contracting parties welcomed Mexico's accession. China applied for readmission to GATT with the aim of stimulating its economy through participation in the multilateral system. The Council will be looking at this matter again in order to adopt the relevant examination and negotiation procedures.

After repeated postponements and informal consultations between the parties concerned, notably Japan, the Council set up a working party of government experts to look into the problems of the world trade in copper at the request of the Community.

¹ Bull. EC 5-1986, point 2.2.52.

² Bull. EC 6-1986, point 2.2.57.

The United States announced that its copyright legislation with the 'manufacturing clause' that had been contested by the Community had expired on 1 July.¹ The Congress is, however, currently examining bills which would retrospectively renew the legislation in an amended form, something which has led the Community to make further representations to the US administration.

*

2.2.56. On 6 August the Commission sent the Council a recommendation for a Decision on the Community's participation in the preparatory work for the International Conference on Drug Abuse and Illicit Trafficking, to be held under UN auspices in Vienna from 17 to 26 June 1987 (→ point 2.1.113).

Diplomatic relations

2.2.57. The President of the Council and the President of the Commission received the following ambassadors, who presented

their letters of credence, to take effect as follows:

21 July: HE Mr Simon Michael M. Mbili-nyi, Head of Mission of the United Republic of Tanzania to the European Communities, HE Mr Milton Ray Guevara, Head of Mission of the Dominican Republic to the EEC, HE Mr Stevens E. Mapunda, Head of Mission of the Republic of Malawi to the European Communities;

22 July: HE Luis Weckmann Muñoz, Head of Mission of the United Mexican States to the European Communities;

28 July: HE Mr Guilherme Posser da Costa, Head of Mission of the Democratic Republic of Sao Tome and Principe to the European Communities, HE Mr Pierre Pompée, Head of Mission of the Republic of Haiti to the EEC, HE Mr Gerard Francis Thompson, Head of Mission of New Zealand to the European Communities, and HE Mr Augusto Cuadros Sánchez, Head of Mission of Bolivia to the European Communities.

¹ Bull. EC 6-1986, point 2.2.57.

Financing Community activities

Budgets

of Parliament declared the 1986 budget finally adopted (→ point 1.1.1).

General budget

Resumption of budget procedure

1986 budget

2.3.2. Immediately afterwards, also on 3 July, the Commission presented a letter of amendment to cover additional requirements for 1986 (→ point 1.1.3).

Judgment by the Court of Justice

2.3.3. At the Council meeting of 7 July the Ministers for Economic and Financial

2.3.1. On 3 July the Court of Justice declared void the act whereby the President

Affairs amended the 1986 reference framework by a qualified majority and sent it to the meeting of Budget Ministers held that same day (→ point 2.1.1).

2.3.4. On 8 July the Budget Ministers approved the draft budget for 1986 and sent it to Parliament (→ point 1.1.4). During their discussions of the draft on 9 and 10 July Ministers met a Parliament delegation and reached a compromise agreement (→ point 1.1.5).

2.3.5. On 10 July Parliament adopted a new budget for 1986¹ and on the same day its President, Mr Pierre Pflimlin, declared the 1986 budget finally adopted (→ points 1.1.6 to 1.1.8).²

1987 budget

Establishment of the Council's draft

2.3.6. Before beginning its examination of the preliminary draft general budget for 1987,³ the Council met a Parliament delegation led by Mr Pflimlin so that each arm of the budgetary authority could state its views as to the procedures to be followed and the priorities to be established. Both the Council and the Parliament delegation expressed the hope that the positive atmosphere which enabled the Community to complete the 1986 budget procedure would continue during the 1987 procedure.

2.3.7. The Council then proceeded, at its 21 and 22 July meeting, to the detailed examination of the preliminary draft general budget for 1987.³ In spite of the considerable effort deployed to find a solution which would command a qualified majority, the Presidency was led to conclude that that was not attainable at this stage.

Work would be resumed at a new meeting of Budget Ministers on 8 and 9 September.

ECSC operating budget

Draft 1987 budget

2.3.8. On 31 July the Commission drew up its *aide-mémoire* on the fixing of the ECSC levy rate and on the establishment of the ECSC operating budget for 1987.⁴

As usual, before taking a decision on the levy rate, the Commission will seek the opinion of Parliament and will transmit the draft to the ECSC Consultative Committee for information.

For 1987 the Commission is proposing that the levy rate on ECSC products remain at 0.31% and recommending a transfer from the general budget to finance measures connected with restructuring in the steel industry.⁵

Redeployment aids (Article 56(2)(b) of the ECSC Treaty) amount to 150 million ECU, while research aids (Article 55) total 63 million ECU (30 million for steel research, 22 million for coal research and 11 million for social research). Interest subsidies amount to 65 million ECU (5 million for investment and 60 million for conversion).

Financial operations

ECSC

Loans raised

2.3.9. In July and August the Commission made a number of private placings in German marks, Swiss francs, Luxembourg

¹ OJ C 227, 8.9.1986.

² OJ L 214, 4.8.1986.

³ Bull. EC 4-1986, points 1.2.3 *et seq.* and 2.3.3. to 2.3.5; Bull. EC 6-1986, point 2.3.1.

⁴ COM(86) 467 final.

⁵ Bull. EC 7/8-1985, point 2.1.85; Bull. EC 6-1986, point 2.1.33.

francs, Dutch guilders and yen for the equivalent of 428.52 million ECU.

Loans paid out

2.3.10. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission made the following loans in July and August, totalling 186.66 million ECU:

Industrial loans

2.3.11. Industrial loans (Article 54) paid out during this period totalled 96.97 million ECU. They were made to promote the consumption of Community coal in Germany and for the Italian steel industry.

Conversion loans

2.3.12. A total of 85.72 million ECU in conversion loans (Article 56) was lent during this period in multiregional loans to assist small businesses in Germany, the United Kingdom and the Netherlands.

Workers' housing

2.3.13. Housebuilding loans for ECSC workers amounted to 3.97 million ECU.

Euratom

Loans raised

2.3.14. In July and August the Commission made a 100 million ECU public issue at par for 10 years at an interest rate of 7 $\frac{3}{8}$ % and two private placings in German marks and yen for the equivalent of 124.35 million ECU:

EEC-NCI

Loans raised

2.3.15. In July the Commission made a private placing in yen for the equivalent of 46.35 million ECU.

Loans paid out

2.3.16. Five global loans, all the financial intermediaries in Italy, were signed in July for a total of 47.6 million ECU: two under the first tranche of NCI III¹ for farm industry projects and three under the second tranche of NCI III² for industrial projects by small and medium-sized firms in central and northern Italy.

The breakdown was as follows: 6.8 million ECU to Feder-AGRI, 10.2 million ECU to Istituto Bancario San Paolo, 13.6 million ECU to EFI-Banca, 11.9 million ECU to BNL/Mediocredito and a further 5.1 million ECU to BNL/Mediocredito.

¹ OJ L 164, 23.6.1983.

² OJ L 208, 3.8.1984.

4. Political and institutional matters

European political cooperation

2.4.1. On 3 July the Presidency issued the following statement on El Salvador:

'The Twelve welcome and support President Napoleon Duarte's proposal, and its acceptance by the FDR/FMLN, to resume with the assistance of the Church the internal dialogue aimed at reaching a true and just peace within a pluralist democracy in El Salvador.

As made clear *inter alia* during the Luxembourg ministerial conference in November 1985,¹ the Twelve consider that national reconciliation, within the framework of pluralist political and social systems is an important prerequisite for resolving the conflicts and tensions that beset the Central American region.'

2.4.2. On 14 July the Presidency issued the following statement on Sri Lanka:

'The Twelve continue to follow closely developments within Sri Lanka and efforts to find a basis for direct talks between all the parties concerned. The Twelve believe that negotiations offer the only route to a solution of Sri Lanka's current problems and that only a political settlement, within the framework of a united Sri Lanka, recognizing the needs and interests of all the parties concerned, holds the prospect of a lasting peace in the country. The Twelve welcome President Jayewardene's recent proposals for an end to the conflict and hope that all the parties concerned will now seize this opportunity to join in direct talks, to put an end to the violence and to achieve a peaceful and lasting settlement. The Twelve are aware of India's important role in this process.'

2.4.3. During July the Presidency issued the following statement conveyed by its representative in Guinea-Bissau to the authorities there following the execution of six opposition leaders:

'The Twelve deplore the fact that the authorities of Guinea-Bissau did not show clemency towards the six people found guilty following an attempted *coup d'état* last November and regret that the humanitarian approaches of a number of governments and international organizations were ignored.'

2.4.4. The Foreign Ministers met in political cooperation in Brussels on 21 July when their discussions included South Africa and East-West relations. They adopted the following statements on human rights and on Ethiopia and the Horn of Africa:

Statement on human rights

'The Foreign Ministers of the European Community, meeting in the framework of European political cooperation and of the Council, have reviewed the principles of the human rights policy of the European Community and its Member States. They reaffirm that respect for human rights is one of the cornerstones of European cooperation. They further reaffirm their commitment to promote and protect human rights and fundamental freedoms and emphasize the importance in this context of the principles of parliamentary democracy and the rule of law.

The Twelve seek universal observance of human rights. The protection of human rights is the legitimate and continuous duty of the world community and of nations individually. Expressions of concern at violations of such rights cannot be considered interference in the domestic affairs of a State. The major United Nations instruments in the field of human rights should be universally ratified as soon as possible. States should cooperate with intergovernmental organizations which monitor implementation of human rights and of which they are a member. Respect for human rights is an important element in relations between third countries and the Europe of the Twelve.

The worldwide human rights situation remains alarming, in particular persistent violations of individual liberties as well as tyranny, oppression and indiscriminate violence in many countries. Concern for violation of human rights forms an important focus of attention for the Twelve, a concern ministers share with the European Parliament. In recent years the European partners have delivered various declarations on behalf of Foreign Ministers and made representations on numerous occasions with many governments, attempting to ameliorate the human rights situation in the countries concerned and to counter cases of specific human rights abuse. Joint statements in international fora on human rights issues have become standard practice for the Twelve, as have frequent discussions on all consultative levels existing among them. The Twelve will continue action within the framework

¹ Bull. EC 11-1985, point 1.2.1 *et seq.*

of European political cooperation against violations in any part of the world.

Individuals and non-governmental organizations the world over have made valuable and courageous contributions to the protection and promotion of human rights. The Twelve appeal to all States to enhance public awareness concerning the cause of human rights through educational programmes and by allowing non-governmental organizations freely to disseminate human rights information.

The Twelve deplore the fact that countless people around the world suffer hunger disease and lack of opportunity, thus being denied the enjoyment of the most basic economic and social rights. The promotion of economic, social and cultural rights as well as of civil and political rights is of paramount importance for the full realization of human dignity and for the attainment of legitimate aspirations of every individual. Neither lack of social and economic development, nor any persuasion or ideology may serve as a justification for the denial of civil and political rights. The Foreign Ministers affirm that in the development of their relations with non-member States as well as in the administration of aid the European Community and its Member States will continue to promote fundamental rights so that individuals and peoples will actually enjoy to the full their economic, social and cultural rights and their civil and political rights.

Lasting peace and security are unattainable without universal enjoyment of human rights. In view of their special responsibility as Europeans, the Twelve emphasize that respect for human rights by all States participating in the Conference on Security and Cooperation in Europe is an essential factor in achieving peace and security, justice and well-being in Europe.'

Statement on Ethiopia and the Horn of Africa

'The Foreign Ministers of the Twelve have reviewed their policy towards the Horn of Africa, and agreed that the Twelve should continue to play a constructive role in the area, where they have long-standing ties and interests.

They recognize that the persistence of tensions in the region, and related refugee problems, pose a grave threat to economic development and stand in the way of normal relations between the countries of the region. They note statements by governments in the region favouring negotiated political settlements, and urge them to pursue this course. They note the role which increased support for regional projects could play in this context. In particular they welcome the opening of talks

between Somalia and Ethiopia. They also welcome Sudanese efforts to achieve a settlement of the problems of south Sudan, and urge all parties to work seriously towards this.

The Twelve urge the governments concerned to take further steps to achieve the peaceful settlement of internal conflicts and to ensure respect for human rights in their countries. In this context they welcome recent releases of political prisoners in Ethiopia.

The Twelve remain seriously concerned at the extent of food shortages and attach particular importance to measures to help prevent further famine and to promote food security. There has been a massive response from the Community, the Twelve and the European public. As well as food and other emergency aid, the Community provides Ethiopia, Somalia, the Sudan and Djibouti with a considerable contribution in development assistance with priority to development of peasant farming and the prevention of further famine.

The Twelve will continue to pay careful attention to the human consequences of resettlement and villagization programmes.

The Twelve affirm their wish to pursue an active dialogue with the countries of the region.'

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2.4.5. At the same meeting the Foreign Ministers appointed Mr Giovanni Januzzi, at present Deputy Political Director in the Italian Foreign Ministry, head of the new Political Cooperation Secretariat for a period of two and a half years.

2.4.6. During August the Presidency issued the following statement, following an approach to the Chilean authorities on 1 August:

2.4.7. 'The European Community again urge the Chilean Government to take early steps towards the orderly restoration of democracy and to initiate a dialogue with the democratic opposition. The EC deeply regret the deaths and injuries associated with the 2 and 3 July demonstration in Chile and condemn recent violence from whatever source. They trust that the Chilean authorities will establish and publish the full facts about the cases of Sr Rojas and Srta Quintana.'

2.4.8. On 6 August the Presidency issued on behalf of the Twelve the following statement on the war between Iran and Iraq:

'The 12 Member States of the European Community are very concerned at the recent increase in the number and seriousness of attacks by Iran and Iraq on targets in civilian areas, and at the threats by each side to escalate such attacks further. The Twelve urge each government to exercise maximum restraint and to honour the undertakings given to the United Nations Secretary-General in June 1984 to cease deliberate attacks on civilian targets, as requested most recently in the Secretary-General's statement of 3 July.

The Twelve take this occasion to renew their appeal to both sides to respect Security Council Resolution 582, in particular by a general cessation of hostilities as soon as possible, and urge both sides to cooperate with the efforts of the Secretary-General in the search for a comprehensive and durable settlement which is acceptable to both sides.'

2.4.9. On 29 August the Presidency issued the following statement on Chile:

'The 12 Member States of the European Community, recalling the first anniversary of the "Acuerdo nacional para la transición a plena democracia", reaffirm that, as was said in the statement by the Foreign Ministers on 10 September 1985,¹ they are convinced that the "Acuerdo nacional" provides a basis on which a dialogue between the government and the democratic opposition on the restoration of democracy in Chile can shortly be started.'

2.4.10. At its July part-session Parliament adopted a number of resolutions on political cooperation and the defence of human rights (→ point 2.4.15).²

Institutions and organs of the Communities

Parliament³

Strasbourg: 7 to 11 July

2.4.11. Uncertainty about the fate of the 1986 budget dominated the debates in Parliament's July part-session, but the House did finally adopt a new budget (→ point 1.1.6). The results of the Hague European Council were given careful scrutiny, as were

European policy on research and the situation in South Africa (→ point 2.4.12).

As is the custom for an incoming Council President, Sir Geoffrey Howe presented the programme for the United Kingdom's six-month term (→ point 2.4.1).

The part-session was also distinguished by a speech from the President of Portugal, Mr Mario Soares, who, during a formal sitting, spoke at length about Europe's present role and its prospects, declaring that for Portugal accession to the Community had irrevocably confirmed the end of the imperial era and the beginning of a continental era.

South Africa: yes to immediate sanctions

2.4.12. The clash between the various tendencies in the House came about as expected during the debate on the political situation in southern Africa and the future prospects. Though condemnation of apartheid was unanimous, the issue of sanctions against the South African regime deeply divided the House, not only between the left and the centre-right but also between countries. The Irish, Danish and Dutch speakers, regardless of political colour, all called for immediate application of Community sanctions similar to those already being applied by their respective countries.

Presenting the report of the Political Affairs Committee the Chairman, Mr Roberto Formigoni (EPP/I), condemned yet again the apartheid system and deplored the fact that the South African Government had neither adopted any kind of programme for bringing it to an end nor started negotiations with black leaders on the inclusion of black representatives in the government. Mr Formigoni therefore urged the South African

¹ Bull. EC 9-1985, point 2.5.3.

² OJ C 227, 8.9.1986.

³ The complete texts of the resolutions adopted by Parliament are reproduced in OJ C 227, 8.9.1986 and the report of the proceedings is contained in OJ Annex 2-341. The political groups and nationalities of members speaking in the debates are shown in brackets after their names; the key to the abbreviations can be found in Bull. EC 7/8-1984, points 1.2.5 and 2.4.8 (footnote 1).

authorities to create a climate conducive to the opening of negotiations by unconditionally releasing Nelson Mandela and other political prisoners. At the same time he asked the Community and the Member States not to supply arms or other equipment that could be used against the black population and the neighbouring States. He concluded with a call to the Foreign Ministers of the Twelve to consider introducing new restrictive measures.

Many speakers demanded immediate adoption of tough economic sanctions. One of them, Mrs Barbara Simons (*Soc/D*), after quoting a conclusion of the Conference of African Bishops last May—'The system of apartheid has caused so much suffering and so much harm in human relations in our country... that people have had to resort to the strongest possible forms of pressure to change the system. ... the most effective ... form of pressure left is economic pressure'—urged the Community to adopt the toughest measures against the South African regime. Even more drastic was Mrs Else Hammerich (*Rainbow/DK*), who wanted all the Member States to follow Denmark's lead and impose a total trade boycott.

Other speakers were more cautious, notably Mr Derek Prag (*ED/UK*), who believed that the Community's first objective must be to bring the South African Government and the representatives of the black majority together with the aim of establishing a democratic and representative government with protection for minorities. On the issue of sanctions Mr Prag said that they must have ready a graduated series of positive and negative measures to persuade the South African Government to move decisively to end apartheid and establish non-racial democracy. Economic sanctions would do more harm than good and bring a bloodbath closer. Mr José Manuel Medeiros Ferreira (*EDA/P*), though not in favour of sanctions, attacked the policy hitherto followed by the Community and complained that by its weakness it forfeited its credibility. It was in very serious tones that Mr Marco Pannella (*NA/I*) questioned whether Parliament had chosen the best way of tack-

ling the problem and urged the House to appraise the situation more in terms of its African context. He recalled the words of Tanzania's President, Julius Nyerere, speaking of 'white tribes of South Africa', who should be guaranteed the respect of their traditions and their wishes within the bounds of a new situation in southern Africa. Then referring to the examples of Algeria and Lebanon, he asked his friends and colleagues of the left to ponder the consequences, notably in the Far East, of their support for wars of liberation, and to reflect on their failure to understand and support the non-violent movements, especially in Vietnam. He appealed to their consciences, asking them if they wanted to be forced in three, five or seven years' time to admit once again that they had hurt others by their mistake of not calling on the ANC to abandon what were nothing other than terrorist philosophies and methods. Mr Pannella also pointed to the disparity between the opprobrium heaped upon the South African regime and connivance in infringements of human rights in other African countries, in which he saw the mark of a Eurocentric racism in the indifference towards slavery or discrimination by blacks against blacks. His final comment was that apartheid, although morally abominable, still guaranteed a modicum of freedom in Africa.

The opponents of sanctions also joined in the unilateral condemnation of South Africa. Mr Ruis Manuel Almeida Mendes (*Lib/P*), believed the sanctions were not the best solution to the South African problem, for instead of ending apartheid they might well reinforce it. Mr Olivier d'Ormesson (*ER/F*), took issue with the Community approach, asking by what moral, political or divine right the Community was hounding the keeper of the shipping lanes and the minerals essential to our economy. He was also amazed by the behaviour of the European Council.¹ Was it better qualified, more able, more justified than the Côte d'Ivoire President, Félix Houphouët-

¹ Bull. EC 6-1986, point 1.1.8.

Boigny, that great wise man of Africa, who had recently declared that it was because Pretoria was striding towards an end to apartheid that Moscow had decided to blow up everything. Mr d'Ormesson was also astonished at the preferential treatment granted to the Moscow-trained head of the ANC while the leader of six million Zulus was ignored, and at the attention paid to Archbishop Tutu but not to the black bishops of the two great Churches representing the majority of the black population. Finding in this biased view the impact of intellectual terrorism conceived by the Kremlin in order to take over South Africa, he nevertheless declared his firm conviction that peace, freedom and development would win through in southern Africa thanks to the courage of the likes of President Houphouët-Boigny, the Zulu Chief Gatsha Buthelezi and the Unita leader in Angola, Jonas Savimbi.

Speaking for the Commission, Mr Willy De Clercq, Member with special responsibility for external relations and commercial policy, said that Pretoria had to choose between sitting down to talk or risking civil war. On sanctions he reminded the House that it was entirely up to the Member States—acting in political cooperation—to take new measures.

At the end of the debate Parliament adopted the report by Mr Roberto Formigoni (*EPP/I*) by 228 votes to 114 and 29 abstentions, after it had been substantially amended by the Socialist and Communist groups. The main amendment, tabled by the Socialists, was passed by 186 votes to 173 and 10 abstentions: it 'deplores the failure of the European Council¹ to agree on the immediate implementation of any further measures; calls for the immediate implementation by the Member States of at least the measures proposed by the European Council for consideration—a ban on new investments, the import of coal, iron, steel and gold coins from South Africa; and calls in addition for the immediate consideration of further measures, notably a ban on the import of agricultural products, gold, uranium and diamonds from South Africa.' With this

amendment the House dissociated itself from the Hague European Council, which had put off any decision on sanctions for three months.¹ Earlier, during the explanations of vote, Mr Herman Verbeek (*Rainbow/NL*), Mr Jorge Campinos (*Soc/P*) and Mr Giovanni Cervetti (*Com/I*) had announced that their groups would vote for the report as an expression of their support for the fight against apartheid. In contrast, Mr Guy Guermeur (*EDA/F*) said that his group would vote against what was an absurd and dangerous resolution for Africa, while Mr Karel De Gucht (*Lib/B*) indicated that his group—believing that the time for sanctions was not yet ripe—would also be voting against the report. Having restated that his group condemned all forms of apartheid and demanded recognition of the right of expression for all the black leaders, Mr Willem Vergeer (*EPP/NL*) announced that some members of his group would abstain and that others would vote against as they did not accept the immediate application of sanctions. The rapporteur, Mr Roberto Formigoni, then announced that the Italian EPP members would endorse the report as a real sign of their resolve for peace and justice in South Africa.

2.4.13. Parliament gave opinions on the following Commission proposals and communication:

- (i) amendments to Regulations Nos 1408/71 and 564/72 on the application of social security schemes to employed persons and their families moving within the Community (→ point 2.1.108);
- (ii) an amendment—to extend the measure to Spain and Portugal—to the Decision of 19 December 1985 instituting a special measure in the fight against poverty (→ point 2.1.108);
- (iii) amendments to the Regulations of 12 March 1985 (797/85), 6 February 1979 (270/79), 19 June 1978 (1360/78) and 15 February 1977 (355/77) and to the Decision of 12 December 1983 (83/641) concerning agricultural structures (→ point 2.1.162);

¹ Bull. EC 6-1986, point 1.1.8.

(iv) a Directive concerning extension of the list of less-favoured farming areas in the Federal Republic of Germany (→ point 2.1.163);

(v) a communication, with draft resolution, on a Community orientation to develop new and renewable energy sources (→ point 2.1.218).

2.4.14. Parliament also passed resolutions on the following subjects:

Community and European research policy.

In one resolution Parliament condemned the Council's contradictory attitude in adopting the principles of the 1987-91 framework programme proposed by the Commission (→ point 1.2.1 *et seq.*) while refusing to approve the funding.¹ In a second resolution the House urged the Council and the Commission to use the instruments and methods referred to in Articles 130 O and 130 P of the Single European Act.² Finally, in its third resolution Parliament expressed the fear that national contributions to the Eureka programme³ might affect Member States' reactions to the funding proposed by the Commission for the framework programme.

One-parent families. Noting that there was no internationally recognized definition of the one-parent family or of the dependent child, Parliament observed that the number of single parents with children was growing throughout the Community and that they were mostly women. The House therefore urged the Commission to carry out statistical surveys and research on the basis of homogeneous criteria. The Commission and the Member States were also asked to devise and implement solutions concerning access to work and the organization of working life, housing, tax systems, assistance, alimony (for divorced women), survivors' (widows') pensions and social and psychological problems. On the last point Parliament stressed that the prime consideration should be the good of the child.

Efficiency of national regional policy instruments. Noting that the economic crisis had led to a reappraisal of regional policy in the

Member States, Parliament held that the areas receiving aid were too large in some Member States, Parliament held that the areas receiving aid were too large in some Member States so that the effects were diluted to the detriment of the weaker regions and that the coordination and the volume of aid were inadequate. Parliament therefore asked the Commission to have comparative studies made on the geographical and sectoral distribution of aid, the quality and comparability of the statistics available or required, the nature and extent of coordination of regional with other sectoral policies and application of the principle of the additionality of Community aid. It also asked it to ensure the transparency of aid granted by the national or regional authorities and to study the impact of its competition policy on Community regional policy.

Action taken on the European Parliament's resolutions in the field of regional policy since 1979. Listing the points raised in these resolutions Parliament asked the Commission to coordinate its activity more effectively with that of Parliament and to inform the Parliament of its annual work programme on regional policy before adopting it. The Council was urged to head Parliament's proposals, notably for the financing of regional policy.

Agricultural stock disposal programme — special fund. In two resolutions Parliament called on the Commission to publish a detailed three-year programme on how and when the stocks of the major agricultural products were to be reduced, indicating the expected costs and intended destinations and explaining in detail how it was planning to prevent accumulation of new stocks. In a third resolution the Commission was urged to submit a proposal for setting up a special fund, not to be financed exclusively from the Community budget, for reducing surpluses.

¹ Bull. EC 6-1986, point 2.1.46.

² Supplement 2/86 — Bull. EC.

³ Bull. EC 7/8-1985, point 2.1.120; Bull. EC 11-1985, point 2.1.182; Bull. EC 6-1986, point 2.1.47.

Ethanol from renewable raw materials. While wishing to see closer links between agriculture and biotechnology, Parliament nevertheless opposed industrial production of bioethanol for the time being and was against any subsidies for bioethanol production, except for research. The Commission was asked to make an early and comprehensive report with proposals incorporating the measures suggested by Parliament: studies on the economic effects of bioethanol production and on the breeding of new high-energy plants, measures aimed at a further cost reduction of bioethanol, exploitation of recent advances in biotechnology and production process engineering in Japan and Scandinavia.

*The Hague European Council of 26 and 27 June.*¹ Agreeing with the general analysis of the economic and social situation made by the European Council, Parliament called for a coordinated programme of economic convergence and growth to be drawn up by the Commission. It then defined certain priorities for the achievement of the internal market and a people's Europe. Finally, it mentioned the outstanding external problems—the GATT negotiations, South Africa—for which it outlined solutions.

2.4.15. In the fields of political cooperation and human rights Parliament passed resolutions on the following subjects:

Cap Anamur II and the provision of shelter for the boat people. Parliament called on the Commission to release 500 000 ECU immediately for the French 'Medecins du Monde' and German 'Notärzte' humanitarian organizations to help them finance their refugee rescue operations in 1986 on the *Cap Anamur II*. President Delors was asked to press the Council to ensure that financial aid was granted and the refugees taken in by the Community.

The situation in Kampuchea. Condemning the violations of human rights suffered by the people of Kampuchea under military occupation, Parliament called for the immediate withdrawal of Vietnamese troops and reiterated its support for the

tripartite Coalition Government of Democratic Kampuchea and the Khmer People's National Liberation Front in their efforts to secure a political and diplomatic solution acceptable to all parties.

The situation in East Timor. Remembering that Indonesia had been occupying this territory since 1975, Parliament called on the Indonesian Government to withdraw from East Timor. The Community institutions and the Member States were urged to endeavour to ensure that the proper conditions were created for the people of East Timor to enjoy their right of self-determination in accordance with Article 297 of the Portuguese Constitution.

The new situation in Chile. Renewing its tribute to the victims of the Chilean dictatorship, Parliament called on the Council and the Foreign Ministers meeting in political cooperation to use all the political and diplomatic means at their disposal to force the Pinochet regime to resign.

The situation in Peru and the re-arrest of the spokeswoman of the organization for the families of missing persons. Although it considered that the terrorist activities of the 'Sendero Luminoso'—particularly the attack on the train at Cuzco apparently directed at members of the Socialist International—were a threat to all democratic and human values in Peru, Parliament insisted that in the struggle against terrorism indiscriminate violence could not be justified. In its second resolution the House, on behalf of the 320 million European citizens it represents, called for the release of Mrs Guadalupe Ccallocunto Olano de Quiste, spokeswoman of the organization for the families of missing persons, re-arrested last May.

The situation in Nicaragua and the judgment handed down by the International Court of Justice in The Hague on 27 June 1986. In one resolution Parliament took note of the judgment of the International Court of Justice condemning the financial

¹ Bull. EC 6-1986, point 1.1.1 *et seq.*

support given by the United States to the 'Contras' movement opposed to the Nicaraguan Government. It also called on the US Administration to accept the jurisdiction of the International Court by complying immediately with its instructions, urging the Nicaraguan authorities to uphold democratic liberties, freedom of expression and fundamental rights. In a second resolution Parliament condemned the Sandinistas' repressive policy and urged them to release the political prisoners belonging to the democratic opposition and independent trade unions and to return to the liberal and democratic principles of the 1979 revolution.

The escalation of tension in Cyprus. Recalling its previous resolutions on Cyprus,¹ Parliament disapproved of any act that complicated the situation, postponed a just,

peaceful and lasting solution and was liable to harm Greek-Turkish relations and provoke developments that might endanger peace in the sensitive east Mediterranean region.

Council

2.4.16. The Council held eight meetings in July. The table below lists the number, place and date of each meeting, the names of the Council President and Commission representatives and the main items of business. A more detailed account of specific items can be found in the sections of the Bulletin referred to in the footnotes.

¹ OJ C 42, 14.2.1983; Bull. EC 1-1983, point 2.4.15; OJ C 342, 19.12.1983; Bull. EC 11-1983, point 2.4.13; OJ C 262, 14.10.1985; Bull. EC 9-1985, point 2.5.12.

Table 14 — Councils meetings in July 1986

Number, place and date of meeting	Subject	President	Commission	Main items of business
1094th Brussels 7 July	Economic and financial affairs	Mr Lawson	Mr Christophersen, Mr Pfeiffer	1986 reference framework and budget — Council conclusions ¹ Second quarterly review of economic situation in Community ²
1095th Brussels 7 and 8 July	Budget	Mr Brooke	Mr Christophersen	1986 budget ¹
1096th Strasbourg 9 and 10 July	Budget	Mr Brooke	Mr Christophersen	1986 budget ¹
1097th Brussels 9 July	Industry	Mr Morrison	Mr Narjes	Arrangement with United States on semi-finished steel products ³
1098th Brussels 14 and 15 July	Agriculture	Mr Jopling	Mr Andriessen Lord Cockfield	Adjustments to common organization of market in beef and veal ⁴ Socio-cultural measures ⁴ Establishment of Community vineyard register ⁴ Imports of New Zealand butter into United Kingdom on special terms ⁴ Sale of butter at reduced prices to persons receiving social assistance ⁴

Table 14 (continued)

Number, place and date of meeting	Subject	President	Commission	Main items of business
1099th Brussels 21 and 22 July	Foreign affairs	Sir Geoffrey Howe	Mr Natali Mr Cheysson Mr De Clercq	Inward processing arrangements ⁴ General rules for application of supplementary mechanism applicable to trade (SMT) ⁴ Monetary compensatory amounts in eggs and poultry sector Extraction solvents used in production of foodstuffs and food ingredients Relations with Gulf States ⁵ Mediterranean policy of enlarged Community EEC-US relations — Presidency conclusions ⁶ Relations with Japan — Presidency conclusions ⁶ Preparation for fifth meeting of EEC-Yugoslavia Cooperation Council ⁵ Hunger in the world Imports of New Zealand butter into United Kingdom ⁴ Possibility of fishing in NAFO regulatory area Renewal of Economic and Social Committee
1100th Brussels 21 and 22 July	Budget	Mr Brooke	Mr Christophersen	1987 budget procedure ⁷
1101th Brussels 24 July	Internal market	Mr Clark	Lord Cockfield	Presidency's programme for proceedings on internal market Pharmaceuticals ⁸ Airborne noise emitted by domestic appliances ⁸ Rules of origin for trade between Spain and Portugal in period during which transitional measures are applied ⁹ Specific training in general medical practice ⁸

¹ Point 1.1.1 *et seq.* and Economic and monetary policy.

² Economic and monetary policy.

³ Steel.

⁴ Agriculture.

⁵ Relations with other countries and regions.

⁶ Relations with industrialized countries.

⁷ Financing Community activities.

⁸ Internal market and industrial affairs.

⁹ Customs union.

Commission

Activities

Decisions, communications and proposals

2.4.17. The Commission transmitted to the Council its framework programme of Community activities in the field of research and technological development (1987-91) (→ point 1.2.1 *et seq.*). This new programme is an important milestone towards the creation of a technological Europe as approved by the Milan European Council in June 1985.¹ The Commission also proposed the revision of the Joint Research Centre's programme for 1987 (→ point 2.1.36).

Following the recent conclusions of the European Council (March and December 1985; June 1986) emphasizing the need to improve the business environment and to encourage the creation and development of small businesses the Commission sent the Council a communication concerning the action programme for small businesses (→ point 1.3.1 *et seq.*). The Commission asked the Council to consider this programme as an integral part of the Community's growth and employment strategy. It also approved a proposal for reforming the VAT arrangements applicable to small businesses, providing for a revised minimum exemption limit and procedures for simplifying the charging and collecting of VAT due.

As announced in the White Paper on completing the international market, the Commission approved two proposals for Council Directives, one concerned specifically with the publication of annual accounting documents by branches of credit institutions and the other with disclosure requirements in respect of branches generally (→ points 2.1.16 and 2.1.86).

A communication on the principles of a future aid strategy for shipbuilding was transmitted to the Council (→ point 2.1.82). By the end of October the Commission will submit proposals on industrial,

regional and social measures for the regions affected by the closure of shipyards.

A communication was sent to the Council concerning market access in civil aviation, accompanied by a proposal for a Directive amending for the second time the 1983 Directive concerning the authorization of scheduled interregional services for the transport of passengers, mail and cargo between Member States (→ point 2.1.213).

An information memo was sent to the Council and Parliament on the procedures and content for the implementation of an integrated approach, as a way to increase the impact of structural intervention, particularly in regions affected by serious problems (→ point 2.1.132). The Commission also adopted the final version of the integrated programme for Crete. The purpose of this programme is to improve the island's socio-economic structures and enable it to adapt more quickly to the new situation created by the enlargement of the Community (→ point 2.1.130).

Under a proposal which the Commission recently made to the Council (→ point 2.1.220 *et seq.*) following its framework communication on the consequences of the Chernobyl accident a high-speed round-the-clock information system would be set up if abnormally high levels of radioactivity were recorded anywhere in the Community.

Finally the Commission approved a communication on problems of social security: areas of common interest (→ point 2.1.106).

In the field of development policy, the Commission proposed to the Council a reform of food aid management to make it more rational and more effective.

Appointment of Director-General

2.4.18. The Commission has appointed Mr Jean-Claude Morel, Director-General for Personnel and Administration since 1981,² Director-General for Budgets. Mr

¹ Bull. EC 6-1985, point 1.2.6.

² Bull. EC 4-1981, point 2.3.31.

Richard Hay, formerly Deputy Director-General for Personnel and Administration, has been appointed Director-General to succeed Mr Morel.

Richard Hay

- Born 4 May 1942, married, two children
- 1959-60 University of Edinburgh
1960-63 Balliol College, Oxford. BA (Hons)
1963-66 Assistant Principal, Treasury
1966-67 Secretary, West Midlands Economic Planning Board, Birmingham
1967-71 Treasury civil servant
1972 Seconded to S.G. Warburg Ltd (merchant bank)
1973-75 Member of staff of Sir Christopher Soames, Vice-President of the Commission
1977-79 Chef de cabinet to Mr Christopher Tugendhat, Member of the Commission
1979-81 Director in the Directorate-General for Economic Affairs, Commission
1981-86 Deputy Director-General for Personnel and Administration

Court of Justice

Analysis of judgments delivered between 1 April and 30 June 1986

Free movement of goods

2.4.19. In *Legia v Minister for Health, Luxembourg*¹ the Court was asked by the State Council of Luxembourg to give a preliminary ruling on the question whether Article 30 of the EEC Treaty and the Directives of 26 January 1965² and 20 May 1975³ on the approximation of laws relating to proprietary medicinal products permit an importing Member State to require a supplier of medicinal products whose headquarters are situated in another Member State to maintain storage premises and technical equipment in the importing Member State where the supplier satisfies the

relevant legal requirements laid down by the Member State in which his headquarters are situated.

The Court replied in the negative as regards Article 30 *et seq.*, the only provisions in question, since, as indicated in the grounds of the judgment, the Directives of 26 January 1965² and 20 May 1975³ do not approximate the rules governing the marketing of medicinal products within each Member State but provide only for a far-reaching approximation of the production of proprietary medicinal products, their importation from third countries and authorization to market such products (i.e. the first stage in marketing and free movement between Member States).

The Court held that a requirement to maintain premises and technical equipment in the importing Member State constitutes a measure having equivalent effect to a quantitative restriction as does a requirement to maintain a representative in the importing Member State, which had been held to be unlawful in *Commission v Federal Republic of Germany*.⁴

The Court further ruled that extending to suppliers in other Member States obligations imposed on wholesalers of pharmaceutical products under national law for the purpose of protection public health, *inter alia* an obligation to maintain premises and equipment in the importing Member State suitable for the storage of pharmaceutical products and to permit their inspection was not justified under Article 36 of the EEC Treaty. It accordingly dismissed all the counter-arguments put forward by the Luxembourg Government, namely the need to verify the condition of the medicinal products, the need for rapid removal of batches that did not comply with the requirements laid down in the marketing authorization, the need to guarantee regular supplies to the market and to facilitate the detection of unlawful sales of poisons.

¹ Joined Cases 87 and 88/85.
² OJ 22, 9.2.1965.
³ OJ L 147, 9.6.1975.
⁴ Case 247/81 [1984] ECR 111.

2.4.20. In *Kampfmeyer*¹ the Court was again faced with a situation involving partial approximation whereby considerable residual powers were conferred on the Member States to adopt national measures governing the marketing of products, subject to compliance with Articles 30 to 36 of the EEC Treaty, notably in regard to requirements concerning the protection of public health. The Directive in question here was Council Directive 74/329/EEC of 18 June 1974 relating to emulsifiers, stabilizers, thickeners and gelling agents for use in foodstuffs.²

As in the case of other Directives concerning additives in foodstuffs, the Directive simply lays down a 'positive list' of substances which may be permitted, leaving it to the Member States to determine the foodstuffs to which they may be added and the conditions under which they may be added.

The Court had already had occasion to rule on the scope of the rules that Member States could adopt.³ However, it was only in its judgment in *Motte*⁴ that it had had to rule on the applicability of such national provisions to products imported from another Member State in which they are lawfully marketed. Here it had been held that a national system of prior authorization with examination by a committee of experts of the harmfulness of the additive, and the necessity, value and suitability of its use was lawful, and concern had been voiced regarding the principle that the burden of proof lay on Member States which rely on Article 36 of the EEC Treaty to prevent the free movement of goods.

By its judgment of 6 May the Court removed this uncertainty by ruling that Articles 30 to 36 of the Treaty do not prevent an import ban on condition that the marketing of the goods is 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 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 neces-

ary to give effective protection to the interests referred to in Article 36 of the Treaty.

Competition

2.4.21. On 30 April the Court delivered its eagerly awaited judgment in Joined Cases 209 to 213/84 concerning air tariffs.⁵ The Local Criminal Court, Paris had referred a question to the Court on the compatibility with the Treaty of national rules which render tariffs subject to approval by a public authority. In view of the national and international context in which they are adopted (cooperation between airlines, *inter alia* within IATA, the network of bilateral agreements concerning air transport services, the use made by the national authorities of their power to grant approval), the Court was obliged to settle fundamental issues, in particular the question of the applicability of the competition rules in the Treaty (Articles 85 and 86) to the air transport sector notwithstanding Article 84 of the Treaty and the absence, in regard to air transport, of provisions conferring on the Commission powers equivalent to those conferred on it by Regulation 17⁶ in regard to other economic sectors. The Court held that the competition rules were applicable. It stated that:

'It is contrary to the obligations of the Member States under Article 5 of the EEC Treaty, in conjunction with Article 3(f) and Article 85, in particular the first paragraph, of the EEC Treaty, to approve air tariffs and thus to reinforce the effects thereof, where, in the absence of any rules adopted by the Council in pursuance of Article 87, it has been found in accordance with the forms and procedures laid down in Article 88 or Article 89(2) that those tariffs are the result of an agreement, a decision by an association of undertakings, or a concerted practice contrary to Article 85.'

It is clear from the judgment that until such time as a Regulation equivalent to Regu-

¹ Case 304/84.

² OJ L 189, 12.7.1974.

³ Case 88/79 *Ministère Public v Siegfried Grunert* [1980] ECR 1827; Case 108/80 *Ministère Public v René Joseph Kugelman* [1981] ECR 433.

⁴ Case 247/84.

⁵ *Ministère Public v Asjès and Others*.

⁶ OJ 13, 21.2.1962.

lation 17¹ is adopted by the Council in respect of the transport sector, the principles laid down by the Court in *Bosch*² are applicable, i.e. agreements concerning air tariffs remain valid on a provisional basis until such time as the authorities of the Member States (Article 88 of the Treaty) or the Commission (Article 89 of the Treaty) find that they are inconsistent with Article 85 of the Treaty.

2.4.22. In Case 53/85³ the Court annulled a decision of the Commission of December 1984 to communicate to a third party, ECS, documents which, according to *Akzo Chemie*, contained business secrets.

ECS had complained to the Commission that *Akzo* was in breach of Article 86 of the Treaty. Under the procedural rules laid down in Regulation 17¹ the Commission had carried out an investigation at *Akzo's* premises. Commission officials had taken possession of a number of the firm's documents.

The point at issue was the extent to which the Commission is entitled to supply such documents to a complainant to enable it to exercise its right to be heard in the course of an investigation procedure undertaken by the Commission. The judgment accordingly has no bearing on the penalties imposed on *Akzo* by the Commission for the infringement of Article 86 of the Treaty but only on the procedure prior to the imposition of the said penalties.

According to the judgment the Commission should have taken account of *Akzo's* interest in the non-disclosure of its business secrets. It should therefore not have supplied a competitor with documents stated by *Akzo* to be of a confidential nature without having first afforded *Akzo* opportunity of referring to the Court the question of the validity of the Commission's refusal to treat the said documents as confidential. The judgment is silent on the question whether the documents contain business secrets. Its immediate effect is simply to render use by ECS of documents improperly supplied unlawful.

Right of establishment

2.4.23. In Case 96/85⁵ the Court held, in proceedings pursuant to Article 169 of the Treaty, that by requiring doctors and dental practitioners established in another Member State to cancel their enrolment or registration in that other Member State in order to be able to practise their profession in France as an employee, as a principal in a practice or as a locum, France has failed to fulfil its obligations under Articles 48, 52 and 59 of the Treaty.

This judgment is in line with the Court's ruling in *Klopp*.⁶ It is based on the following findings of fact:

- (i) The principle of a single practice, put forward by the French Government as indispensable to the continuity of medical care, is applied more strictly to practitioners from other Member States than to those established in France;
- (ii) The general rule prohibiting all doctors and dental practitioners established in another Member State from practising in France is unduly restrictive.

Free movement of capital

2.4.24. The Court's judgment in Case 157/83⁶ (reference for a preliminary ruling) concerns the compatibility with Community law on the free movement of capital of two constraints on the purchase of foreign bonds by an Italian resident. These are the lodging of a bank deposit equivalent to a specific percentage of the price paid, without interest, and the requirement that the securities be deposited for safe custody with an approved bank.

On the first point, the Court has ruled that the lodging of a bank deposit is authorized,

¹ OJ 13, 21.2.1962.

² Case 13/61 [1962] ECR 45.

³ *Akzo Chemie v Commission*.

⁴ *Commission v France*.

⁵ Case 107/83 *Ordre des Avocats au Barreau de Paris v Onno Klopp* [1984], ECR 2971.

⁶ *L. Brugnoli and R. Ruffinengo v Cassa di Risparmio di Genova e Imperia*.

as a protective measure, by a Commission Decision of 19 December 1985 based on Article 108 of the Treaty. Since the latter constitutes an extension for a limited period of authorizations previously granted by Decisions 74/287/EEC and 75/355/EEC, the fact that the bonds in question were acquired prior to its entry into force is not an argument for the return of the deposit.

With regard to the obligation to deposit foreign securities for safe custody with an approved bank, the Court considers that such a requirement can be imposed only if it is indispensable for monitoring compliance with conditions laid down by the legislation of the Member State concerned in conformity with Community law.

The Court finds that the liberalization of certain capital movements by the Directives issued between 1960 and 1962 implies the elimination of administrative obstacles which, while not involving exchange authorizations and not affecting the purchase of foreign securities, are nevertheless an obstacle to 'the fullest liberalization' of capital movements which achievement of the objectives of the Community requires according to the preamble to the first Directive.

Free movement of workers

2.4.25. The Court's judgment in Case 131/85¹ (reference for a preliminary ruling) concerns the right of a national of a non-member country, qualified as a doctor in a non-member country, who is married to a national of a Member State to take up employment.

The Court ruled that Community law (Article 11 of Regulation No 1612/68 on freedom of movement for workers²) implies that any such person is entitled to take up any activity as an employed person and may pursue occupations subject to a system of administrative authorization and to special legal provisions governing their exercise, such as the medical profession, if the person concerned shows that he has the professional qualifications and certificates required by the legislation of the host Mem-

ber State for the pursuit of the occupation in question.

The Court went on to state that non-discriminatory treatment (Article 3 of Regulation No 1612/68³) consists in the application to persons covered by that provision of the same laws, regulations, administrative provisions and administrative practices as are applied to nationals of the host State.

According to the Court, this encompasses national provisions governing access, as an employed person, to the medical profession whether the qualifications in question are recognized under the legislation of the host Member State alone or pursuant to the Directive of 16 June 1975 concerning the coordination of provisions laid down by law, regulation or administrative action in respect of activities of doctors.⁴

2.4.26. By its judgment in Case 307/84⁵ the Court held that by making appointment and establishment in permanent employment as a nurse in a public hospital conditional on the possession of French nationality, France had failed to fulfil its obligations.

Confirming its previous decisions,⁶ the Court ruled:

(i) the nature of the legal relationship (whether private or public) between the employee and the employing administration was of no consequence with regard to the scope of the exception provided for in Article 48(4) of the Treaty. Access to certain employment cannot be restricted by the fact that in a particular Member State persons who take up such employment are governed by rules which imply establishment as a public servant;

(ii) the criterion for the applicability of Article 48(4) of the Treaty is not organic in

¹ *Emir Gül v Regierungspräsident Düsseldorf*.

² OJ L 257, 19.10.1968.

³ OJ L 257, 19.10.1968.

⁴ OJ L 167, 30.6.1975.

⁵ *Commission v France*.

⁶ Case 152/73 *Sotgiù v Deutsche Bundespost* [1974] ECR 153; Case 147/79 *Commission v Belgium* [1980] ECR 3881.

nature but functional (whether or not the posts in question are typical of the specific activities of the public service in so far as the exercise of powers conferred by public law and responsibility for safeguarding the general interests of the State are vested in it); (iii) in view of the nature of the duties and responsibilities involved, employment as a nurse in a public hospital does not constitute employment in the public service within the meaning of Article 48(4) of the Treaty; (iv) the fact that contractual employment was available to nationals of other Member States (to a very limited extent) is irrelevant; for such employees, the benefits and safeguards are not wholly equivalent to those afforded to public servants.

2.4.27. The preliminary ruling delivered in Case 139/85¹ puts a stop to certain endeavours by national authorities to refuse residence permits to migrant workers who, on account of the extreme modesty of their earned income (in the case in point the person concerned had been able to secure only part-time employment for 12 hours per week), are compelled to apply for assistance from public funds.

The Court held that a person pursuing effective and genuine activities on a part-time basis could not be excluded from the scope of the rules governing the free movement of workers (which must be interpreted broadly) merely because the person in question endeavours to supplement his remuneration which is below the minimum for subsistence by other lawful means of subsistence. It is irrelevant whether these supplementary means of subsistence stem from the assets or employment of a member of the family of the person concerned or whether they are derived from financial assistance from the public funds of the host Member State.

Discrimination on grounds of sex

2.4.28. The Court's judgment in Case 170/84² concerns a situation in which part-time workers were excluded from their employer's occupational pension scheme.

Almost all the workers concerned were women.

By its judgment the Court:

- (i) reaffirms its previous rulings on indirect discrimination (measures which, although neutral from a formal standpoint, in fact affect, without any objective justification, a group of persons that is made up exclusively or mainly of persons of a particular sex);
- (ii) clearly states, for the first time, that Article 199 of the Treaty applies directly to discrimination regarding entitlement to an occupational pension.

2.4.29. In regard to discrimination between male and female workers, the judgment in Case 222/84³ is of importance with respect to interpreting derogations based on the maintenance of law and order under Community law and, in particular, Article 224 of the EEC Treaty (serious internal disturbances affecting the maintenance of law and order).

The judgment concerns the compatibility with Community law of the prohibition of the handling and use of firearms by female members of the Royal Ulster Constabulary. Is such a prohibition compatible with Council Directive 76/207/EEC on the implementation of the principle of equal treatment for men and women?⁴

According to the judgment the Directive allows policing duties to be restricted to men in a situation characterized by attacks. However, the Court defines relatively clearly the limits to derogations from the principles laid down in the Directive.

The Court accordingly dismissed the United Kingdom's argument that neither the Treaty nor secondary legislation curtail the Member States' power to adopt the measures they deem to be necessary for the maintenance of law and order.

¹ *Kempf v Staatssecretaris van Justice.*

² *Bilka-Kaufhaus GmbH v Weber van Hartz.*

³ *Marjuerite J. v The Chief Constable of the Royal Ulster Constabulary.*

⁴ OJ L 39, 14.2.1976.

All the articles of the Treaty which provide for derogations from Community law in situations liable to jeopardize public safety must be interpreted strictly.

This applies to Article 224 of the Treaty which provides for a derogation in the event of serious internal disturbances, war or serious international tension. For that reason the Court denied the United Kingdom the right to rely on the derogation provided for in Article 224 of the Treaty in order to exclude from review by the courts, as stipulated in the Directive, measures to which it applies. According to the Court, the conditions governing implementation of Article 224 of the Treaty are not satisfied since the situation in Northern Ireland does not preclude the exercise of a power of review by the courts.

Institutions

2.4.30. In Case 303/84¹ the Court ruled, for the first time, on the sort of circumstances in which interest is payable by the Member States under Article 11 of Council Regulation No 2891/77 implementing the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources.² The judgment emphasizes repeatedly the inseparable link between the establishment and the payment of own resources pursuant to the basic Regulation and Regulation No 2891/77³ and the payment of interest in the event of delay pursuant to the latter Regulation. The Court also cites the opening terms of Article 11 of the said Regulation under which any delay in making the entry in the account gives rise to the payment of interest (ground 17); interest may accordingly be claimed not only where there is a delay in crediting the Commission's account following establishment of the relevant amount within the prescribed period but also where there is a delay in establishing the relevant amount.

2.4.31. By its judgment in Case 294/83⁴ the Court annulled certain decisions of the Bureau of the European Parliament concerning the allocation of budgetary appro-

priations between the political parties for the 1986 elections.

The importance of this judgment lies in the fact that the Court has explicitly acknowledged, for the first time, that an act of the European Parliament may be annulled pursuant to Article 183 of the Treaty. The Court held that:

'The European Economic Community is a community based on law inasmuch as both the Member States and the institutions are subject to judicial review of the conformity of measures adopted by them with the basic constitutional charter represented by the Treaty. Specifically, by Articles 173 and 184, on the one hand, and Article 177, on the other hand, the Treaty has established a comprehensive system of legal remedies and procedures whereby power is conferred on the Court of Justice to review the legality of measures adopted by the institutions' (ground 23) and 'an interpretation of Article 173 of the Treaty which would exclude measures adopted by the European Parliament from those which could be attacked would lead to a result which is contrary both to the spirit of the Treaty as expressed in Article 164 thereof and to its overall structure' (ground 25).

The ground for the annulment is of particular interest. The Court finds that the financing of political parties' election campaigns is still a matter for the Member States since the 1976 Act concerning the election of the representatives of the Assembly by direct universal suffrage stipulates that the electoral procedure is to be governed in each Member State by its national provisions. The Court has, accordingly, established, for the first time, that the scope of the powers conferred on the Communities has been exceeded by an act of a Community institution.

¹ *Commission V Federal Republic of Germany.*

² OJ L 336, 27.12.1977.

³ OJ L 336, 27.12.1977.

⁴ *Parti Ecologiste 'Les Verts' v European Parliament.*

2.4.32. New cases

Case	Subject	Basis
ECSC—Steel 171/86 Union Sidérurgique du Nord et de l'Est de la France (Usinor) and Sacilor v Commission ¹	Annulment of the individual Decision addressed by the Commission to the Finsider Group (Italsider) granting it increased reference figures for products in Category Ib following the takeover of the group by the Italian company Itatubi.	Article 33 ECSC
172/86 Sacilor v Commission ¹	Annulment of the individual Commission Decision of 3 June 1986 fixing reference productions, production quotas, reference quantities and parts of quotas which may be disposed of within the common market for the second quarter of 1986 (linked to Cases 150/86 and 171/86)	Article 33 ECSC
174/86 Union Sidérurgique du Nord et de l'Est de la France (Usinor) v Commission ¹	Annulment of the individual Commission Decision of 3 June 1986 fixing reference productions, production quotas, reference quantities and parts of quotas which may be disposed of within the common market for the second quarter of 1986 (linked to Cases 150/86 and 171/86).	Article 33 ECSC
224/86 Union Sidérurgique du Nord et de l'Est de la France (Usinor) v Commission	Annulment of the individual Commission Decision of 14 July 1986 fixing reference productions, production quotas, reference quantities and parts of quotas which may be disposed of within the common market for the third quarter of 1986 (linked to Cases 150/86 and 171/86)	Article 33 ECSC
226/86 Hoogovens Groep v Commission	Annulment of the individual Commission decisions of 14 July 1986 and 5 August 1986 fixing reference productions, production quotas, reference quantities and parts of quotas which may be disposed of within the common market for the third quarter of 1986. Annulment, in whole or in part of the general Commission Decision of 27 November 1985	Article 33 ECSC
227/86 Sacilor v Commission	Annulment of the individual Commission Decision of 14 July 1986 fixing reference productions, production quotas, reference quantities and parts of quotas which may be disposed of within the common market for the third quarter of 1986 (linked to Cases 150/86 and 171/86)	Article 33 ECSC
230/86 Union Sidérurgique du Nord et l'Est de la France (Usinor) v Commission	Annulment of the individual Commission Decision of 5 August 1986 fixing reference productions, production quotas, reference quantities and parts of quotas which may be disposed of within the common market for the third quarter of 1986 (linked to Cases 174/86 and 224/86)	Article 33 ECSC

Case	Subject	Basis
Free movement of goods		
158/86 Warner Brothers Inc. and Metronome Video ApS v Erik Viuff Christiansen ¹	Interpretation of Articles 30, 36 and 222 of the Treaty regarding the compatibility with those provisions of the law of a Member State whereby the owner of an exclusive right in a video recording may restrain the hiring out of a video recording imported from another Member State in which it has been lawfully put into circulation by the owner or with his consent and under whose domestic law he is not permitted to prohibit hiring out of the recordings	Article 177 EEC
160/86 Ministère Public v Verbrugge	Do the Community law principles of equality and non-discrimination to be found in the Treaty prohibit the enactment of national law creating a dual system of book prices distinguishing between books published in France and books from another Member State?	Article 177 EEC
168/86 Ministère Public v Rouseau ²	Must Articles 3(f) and 7 of the Treaty be interpreted as prohibiting the establishment under national law of a dual system of book prices distinguishing between books published in France and books from another Member State?	Article 177 EEC
Customs union		
141/86 The Queen v HM Customs and Excise, ex-parte Imperial Tobacco Ltd	Interpretation of CCT subheading in regard to the tariff classification of tobacco stem covered by a certificate of authenticity establishing that it is of flue-cured Virginia type and the validity of Regulation No 3517/84	Article 177 EEC
164/86 Universität Bielefeld v HZA Giessen ¹	Validity of Decision 82/288/EEC refusing to allow the duty-free importation of a scientific apparatus	Article 177 EEC
Right of establishment and freedom to provide services		
198/86 Direction de la Concurrence et des Prix des Hauts de Seine and Ministère Public v Conradi and Others ⁴	Direct applicability of Article 2 of Council Directive 64/223/EEC as regards the definition of wholesale trade activities	Article 177 EEC
Taxation		
138/86 Direct Cosmetics Ltd v Commissioners of Customs and Excise	Validity of a derogation pursuant to Article 27(1) of the Sixth VAT Directive, authorization for which was sought by the United Kingdom and which is intended to prevent certain forms of tax evasion, which authorization was granted by the Council on 13 June 1985	Article 177 EEC

Case	Subject	Basis
139/86 Laughtons Photographs Ltd v Commissioners of Customs and Excise	Validity of a derogation pursuant to Article 27(1) of the Sixth VAT Directive authorization for which was sought by the United Kingdom and which is intended to prevent certain forms of tax evasion, which authorization was granted by the Council on 13 June 1985	Article 177 EEC
165/86 Leespoortefeuille 'Intiem' v Staatssecretaris van Financiën ³	May an employer deduct VAT on goods supplied to employees (Article 11 of the Second VAT Directive and Article 17 of the Sixth VAT Directive)?	Article 177 EEC
Competition		
179/86 Rhône-Poulenc v Commission ⁶	Annulment of the Commission Decision of 23 April 1986 (concerning a procedure for the implementation of Article 85 of the Treaty) in so far as it imposed a fine on the applicants for having been party to an agreement and a concerted practice between manufacturers of polypropylene	Article 173 EEC
186/86 Petrofina v Commission ³		
189/86 Atochem V Commission ⁶		
192.86 BASF v Commission		
195/86 Enichem Anic v Commission		
196/86 Hercules Chemicals v Commission ³		
200/86 DSM v Commission		
205/86 Hüls AG v Commission		
206/86 Hoechst AG v Commission		
210/86 Shell International Chemical Company Ltd v Commission ⁸		
211/86 Solvay et Cie v Commission ⁸	Annulment of the Commission Decision of 23 April 1986 (concerning a procedure for the implementation of Article 85 of the Treaty) in so far as it imposed a fine on the applicant for having been party to an agreement and a concerted practice between manufacturers of polypropylene Production of Commission internal documents	Article 173 EEC Article 91 Rules of Procedure of the Court of Justice
212/86 and 212/86 R Imperial Chemical Industries v Commission ⁸		
213/86 and 213/86 R Montedipe v Commission	Annulment of the Commission Decision of 23 April 1986 (concerning a procedure for the implementation of Article 85 of the Treaty) in so far as it imposed a fine on the applicant for having been party to an agreement and a concerted practice between manufacturers of polypropylene Suspension of operation of the Commission Decision	Article 173 EEC Article 185 EEC
202/86 Chambre Syndicale des Eaux Minérales et de Source v Commission ⁹	Annulment of the Commission Decision of 2 June 1986 based on Article 6 of Regulation 99/83	Article 173 EEC

Case	Subject	Basis
Stade aids		
166/86 Irish Cement Limited v Commission ¹⁰	Application for a declaration that: (i) the Commission has failed to address to the applicant a notice informing it of the opening of a procedure under Article 94(2) of the EEC Treaty concerning aid granted to a cement manufacturer in Northern Ireland; (ii) The Commission has failed to define its position	Article 175 EEC
220/86 Irish Cement Limited v Commission	Annulment of the Commission's Decision not to open a procedure under Article 93(2) of the EEC Treaty concerning aid granted to a cement manufacturer in Northern Ireland	Article 173 EEC
Social policy		
126/86 Giménez Zaera v Instituto Nacional de la Seguridad Social y Tesorería General de la Seguridad Social	Compatibility with Articles 2, 117 and 118 of the Treaty of national rules against the overlapping of a salary paid to an employed official and a retirement pension payable under general social security arrangements	Article 177 EEC
Equal treatment of men and women		
157/86 Mary Murphy and Others v An Bord Telecom	Interpretation of Article 119 of the Treaty and Article 1 of Council Directive 75/117/EEC in regard to a claim for equal pay on the basis of work of equal value in circumstances where the work of the claimant has been assessed to be of higher value than that of the person with whom the claimant sought comparison	Article 177 EEC
Free movement of workers		
197/86 Brown v Secretary of State for Scotland ⁷	Does a course of full-time study in engineering leading to the award of a degree but which does not, in the absence of further practical experience, entitle the holder to be registered as a professional engineer or to use the title 'chartered engineer' constitute vocational training as interpreted in the judgment in <i>Gravier</i> or training in a vocational school within the meaning of Article 7(3) of Regulation (EEC) 1612/68? Does equality in regard to the conditions governing access to vocational training (see <i>Gravier</i>) include payment by a host Member State to or on behalf of a student not only of his tuition fees but also his maintenance? Is a student pursuing studies at a university in a Member State other than his State of origin to be regarded as a 'worker' within the meaning of Article 7 of Regulation (EEC) 1612/68 where:	Article 177 EEC

Case	Subject	Basis
	<p>(i) he was engaged in paid employment as a trainee electrical engineer for a period of eight months before going to university;</p> <p>(ii) he would not have been employed as a trainee if he had not been accepted for admission to the university?</p> <p>If so, may the person concerned, for the purpose of securing a student grant, claim equality of treatment as between national and Community 'workers' with regard to social benefits on the basis of Article 7(2) of Regulation (EEC) 1612/68?</p> <p>May the person concerned claim equality of treatment within the meaning of Article 12 of Regulation (EEC) 1612/68 (access to general and vocational training) in the Member State in which he is pursuing his studies where his parents, prior to his birth, no longer worked or resided in that Member State as migrant workers?</p>	
<p>Agriculture</p>		
<p>162/86 The Queen v Intervention Board for Agricultural Produce, ex-parte Livestock Sales Transport Ltd & Johnson¹</p>	<p>Validity and interpretation of Commission Regulation Nos 3451/86 and 9/86 amending Regulation No 1633/84 in so far they provide of the charging of an amount equivalent to the variable slaughter premium ('clawback') pursuant to Article 9(3) of Council Regulation No 1837/80 in respect of products which are not eligible for the variable slaughter premium</p>	<p>Article 177 EEC</p>
<p>169/86 Deutsche Conti-Handelsgesellschaft mbH v Bundesanstalt für Landwirtschaftliche Marktordnung⁵</p>	<p>Proportionality of Article 33(4) of Commission Regulation No 3183/80 in so far as it prescribes partial forfeiture of the security intended to secure compliance with an obligation to import or export, where proof of completion of the operation is not furnished within the period stipulated</p>	<p>Article 177 EEC</p>
<p>170/86 Georg von Deetzen v HZA Hamburg-Jonas⁵</p>	<p>Interpretation and validity of Council Regulations Nos 856/84 and 857/84 (the latter as most recently amended by Commission Regulation No 1371/85) in regard to the conditions governing the fixing of reference quantities, particularly where the person concerned has not produced milk during the relevant reference periods</p>	<p>Article 177 EEC</p>
<p>188/86 Ministère Public v Régis Lefèvre⁵</p>	<p>Are national rules governing the retail margin and selling price of beef and veal sold to the public compatible with the rules governing the common organization of the market in beef and veal and Article 30 of the Treaty?</p>	<p>Article 177 EEC</p>

Case	Subject	Basis
193/86 Asteris and Others v Commission	Annulment of the Commission's refusal to adapt the relevant aid for the years 1981/82 up to 1986/87 except for aid affected by the Court's judgments in Cases 192/83 and 194 to 206/83 (1983/84)	Article 173 EEC
199/86 Raiffeisen Hauptgenossenschaft v Bundesanstalt für Landwirtschaftliche Marktordnung	Is there a rule of Community law to the effect that a decision stipulating a security which has been challenged in good time by means of national legal procedures cannot be annulled even if the Regulation on which the decision was based has subsequently been held by the Court of Justice to be invalid?	Article 177 EEC
203/86 Kingdom of Spain v Council ¹¹	Annulment of Council Regulation No 1335/86 amending Regulation No 804/68 on the common organization of the market in milk and milk products and of Council Regulation No 1343/86 amending Regulation No 857/84 adopting general rules for the application of the levy referred to in Article 5c of Regulation No 804/68 in the milk and milk products sector	Article 173 EEC
214/86 and 214/86 R Hellenic Republic v Commission	Annulment of the Commission's refusal to allow to the Hellenic Republic the sum of DR 8 195 027 084 from the Guarantee Section of the EAGGF in connection with the clearance of the accounts for 1982. Stay of enforcement of that decision	Article 173 EEC Articles 185, 186 EEC
215/86 Hellenic Republic v Commission	Annulment of the Commission's refusal to adapt the relevant aid for the years 1981/82 up to 1986/87 except for aid affected by the Court's judgments in Cases 192/83 and 194 to 206/83 (1983/84)	Article 173 EEC
Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters		
144/86 Gubisch Maschinenfabrik v Palumbo	Does a case where, in relation to the same contract, one party applies to a court in a Contracting State for a declaration that the contract is inoperative (or in any event should be rescinded) whilst the other institutes proceedings before the court of another Contracting State in order to secure performance of the said contract, fall within the scope of the term 'lis pendens' used in Article 21 of the Brussels Convention?	Article 173 EEC
145/86 Hoffmann v Krieg	Various questions concerning the interpretation of the Brussels Convention in regard to the possibility of enforcing in the Netherlands a German judgment ordering a husband to make maintenance payments to his spouse even where a Netherlands court has, in the interim,	Article 173 EEC

Case	Subject	Basis
	granted a divorce decree so that the legal basis for the said order is removed and where the husband has, in addition, failed to appeal against the decision authorizing enforcement of the German judgment within the period prescribed by the Convention	
Fisheries		
207/86 Asociación Profesional de Empresarios de Pesca Comunitarios (Epesco) v Commission	Annulment of the periodical list of Spanish vessels authorized to fish in the waters of the Community of Ten for the month of July 1986	Article 173 EEC
External relations		
191/86 Tokyo Electric v Council	Annulment of Council Regulation 1058/86 imposing a definitive anti-dumping duty on imports of certain electronic scales originating in Japan in so far as it applies to the applicant	Article 173 EEC
217/86 Commission v Council ⁸	Annulment for breach of Article 228(1) of the Treaty of the Council's Resolution of 5 June 1986 concerning the Council's conclusions regarding the position to be adopted by the Community and its Member States at the 72nd International Labour Conference in the drafting of international instruments on safety in the use of asbestos	Article 173 EEC
Development policy		
201/86 Spie-Batignolles v Commission	Action for a declaration by the Court that the Commission is liable jointly and severally, and in any case <i>in solidum</i> , with the Republic of Rwanda for losses suffered by the applicant as a result of the wrongful acts or omissions of the Commission departments in connection with the implementation of two EDF projects for two works contracts relating to the construction of two roads entered into by the Republic of Rwanda and the applicant	Article 215 EEC
231/86 and 231/86 R. Breda-Geomineraria Joint Venture, composed of Istituto Ricerche Breda and Geomineraria Italiana v Commission	(i) By way of principal issue, annulment of the Commission's Decision refusing to recognize that the applicants are successful tenderers for the contract which is the subject of project No 5 100-11-37-045: 'Geological and mining studies — Mali West I'. 'Geological and mining map' and, in the alternative, claim for damages (ii) Application for interim measures	Articles 173, 215 EEC Articles 185, 186
Free movement of capital		
143/86 East and Others, Margetts and Addenbrooke v Cuddy and Others	Interpretation and validity: (i) of the first Council Directive of 11 May 1960 for the implementation of Article 67 of the Treaty (Article 2(1)), and	Article 173 EEC

Case	Subject	Basis
	(ii) of the Commission Decision of 3 December 1980 authorizing Ireland to continue to apply certain protective measures pursuant to Article 108(3) of the Treaty concerning the imposition by an Irish law of restrictions on its residents in regard to dealings in shares in companies registered in and having their principal place of business in Ireland on the stock exchange of another Member State.	Article 177 EEC
Budget		
204/86 Hellenic Republic v Council	Annulment of the act of the Council whereby it tacitly approved Transfer No 4/86 of appropriations from Chapter 100, Item 9631 to Chapter 96, Item 9632 of the budget for 1986	Article 173 EEC
221/86 1. Group of the European Right, and 2. National Front Party v European Parliament ⁹	Annulment of the decision of the enlarged Bureau of the European Parliament dated 10 July 1986 concerning the basis for allocating the appropriations under Item 3708 of the budget of the European Parliament for 1986 relating to publicity measures in Spain and Portugal	Article 169 EEC
Infringements		
173/86 Commission v Italy	Failure to inform the Commission of national measures to give effect to Commission Directive 82/434/EEC (cosmetic products)	Article 169 EEC
180/86 Commission v Luxembourg ⁵	Article 3 of Council Directive 76/207/EEC (equal treatment for men and women as regards access to employment)	Article 169 EEC
185/86 Commission v France ⁶	Failure to inform the Commission of national measures to give effect to Council Directives 82/242/EEC and 86/243/EEC (non-ionic and anionic surfactants)	Article 169 EEC
187/86 Commission v Hellenic Republic	Failure to inform the Commission of national measures to give effect to Directives 75/440/EEC — quality required of surface water intended for the abstraction of drinking water, 76/160/EEC — quality of bathing water, 78/659/EEC — quality of fresh waters needing protection or improvement in order to support fish life and 79/869/EEC — methods of measurement and frequencies of sampling and analysis of surface water intended for the abstraction of drinking water in the Member States	Articles 169 EEC
190/86 Commission v Hellenic Republic	Failure to inform the Commission of national measures to give effect to Council Directive 75/442/EEC on waste	Article 169 EEC
225/86 Commission v Italy	Article 171 of the EEC Treaty: failure to give effect to the judgment of the Court in Case 166/82 — Regulation No 804/68	Article 169 EEC

Disputes between the Community and its staff

v Council:

175/86 and 209/86: *Misset*^{6,8}

v Commission:

159/86 *Canter*³

161/86 *Jaeger*³

176/86 *Houyoux*⁶

177/86 *Guery*⁶

178/86 *Turner*⁵

181 to 184/86 *Del Plato*⁷ — Procedural arrangements for transfer to a higher category (JRC)

194/86 *Rydalm and Others*¹² — Methods for calculating pay/weighting

228/86 *Goossens and Others* — Internal competition COM/A/8/84

v Parliament:

163/86 *Papageorgiadis*³

v Court of Auditors:

167/86 *Rousseau and Others*¹⁰ — Assignment of drivers

¹ OJ C 200, 9.1986.

² OJ C 206, 16.8.1986.

³ OJ C 209, 20.8.1986.

⁴ OJ C 219, 30.8.1986.

⁵ OJ C 215, 26.8.1986.

⁶ OJ C 211, 22.8.1986.

⁷ OJ C 222, 2.9.1986.

⁸ OJ C 242, 26.9.1986.

⁹ OJ C 231, 12.9.1986.

¹⁰ OJ C 204, 13.8.1986.

¹¹ OJ C 236, 18.9.1986.

¹² OJ C 239, 23.9.1986.

2.4.33. Judgments

Date and case	Held
<p>ECSC — Steel</p> <p>1.7.1986: 185/85 <i>Usinor v Commission</i>¹</p>	<p>1. The application is dismissed as inadmissible in so far as it seeks the annulment of the third indent of Article 1(2) of Decision No 30/53 of the Commission of 2 May 1985 as amended by Commission Decision No 1834/81 of 3 July 1981</p> <p>2. Decision No 5462 of the Commission of 2 May 1985 blocking provisionally pursuant to Article 2(7) of Decision No 3716/83/EEC/ECSC the return of part of the guarantee lodged in the second quarter of 1985 by Usinor is declared void</p>
<p>10.7.1986: 46/85 <i>Manchester Steel Ltd v Commission</i>¹</p>	<p>The application is dismissed (Annulment of the Commission's Decision of 19 December 1986 imposing a fine for exceeding steel production quotas)</p>

Date and case	Held
3.7.1986: 207/85 Nuovo Campsider v Commission ²	Ordered removed from the Court Register (Annulment of the Decision notified to the applicant by the letter sent by the Commission on 24 May 1985 in response to a request pursuant to the first paragraph of Article 35 of the ECSC Treaty)
Free movement of goods	
10.7.1986: 95/84 Ministère Public n Darras and Tostain ³	<p>1. Where national legislation requires retail book prices binding on all retailers to be fixed by the publisher or the importer of the book, the following constitute measures equivalent in effect to quantitative restrictions on imports, contrary to Article 30 of the EEC Treaty:</p> <p>(i) provisions whereby the importer responsible for complying with the statutory requirement of deposit one copy of each imported book with the authorities, that is to say the principal distributor, is responsible for fixing the retail price;</p> <p>(ii) provisions requiring the retail price fixed by the publisher to be applied to books published in the Member State concerned and reimported following exportation to another Member State, unless it is established that those books were exported for the sole purpose of reimportation in order to circumvent the legislation in question;</p> <p>2. Such measures are not justified by Article 36 of the EEC Treaty or by the overriding requirements of the defence of the consumer or by the need to maintain creativity and cultural diversity in books</p>
Customs union	
10.7.1986: 222/85 HZA Osnabrück v Kleiderwerke Hela Lampe ³	On 23 December 1975 the Common Customs Tariff was to be interpreted as meaning that jeans of traditional style with a front fastening from left to right were to be classified under heading No 61.01 as men's outer garments
Freedom of establishment	
10.7.1986: 79/85 Segers v Bestuur van de Bedrijfsvereniging voor Bank- en Verzekeringswezen, Groothandel en Vrije Beroepen ³	The provisions of Articles 52 and 58 of the EEC Treaty must be interpreted as prohibiting the competent authorities of a Member State from excluding the director of a company from a national sickness insurance benefit scheme solely on the grounds that the company in question was formed in accordance with the law of another Member State, where it also has its registered office, even though it does not conduct any business there

Date and case	Held
<p>Taxation</p> <p>8.7.1986: 73/85 Kerrut v Finanzamt Mönchengladbach-Mitte⁴</p>	<p>1. With the exception of the supply of the building land, the supplies of goods and services effected pursuant to a 'bundle' of contracts for work and services in connection with the construction of a building, such as the scheme known as the 'Bauherrenmodell' which is the subject of the decision requesting a preliminary ruling, are subject to value-added tax by virtue of Article 2(1) of the Sixth Council Directive 77/388/EEC</p> <p>2. No provision of Community law prohibits a Member State from levying on a transaction which is subject to value-added tax under the Sixth Directive other taxes on transfers and transactions, such as the German 'Grundwerbsteuer', provided that such taxes cannot be characterized as turnover taxes</p>
<p>State aids</p> <p>10.7.1986: 234/84 Kingdom of Belgium v Commission³</p> <p>10.7.1986: 40/85 Kingdom of Belgium v Commission⁵</p> <p>10.7.1986: 282/85 Comité de Développement et de Promotion du Textile et de l'Habillement v Commission³</p>	<p>Application dismissed (Annulment of the Commission Decision of 17 April 1984 on aid granted to Meura, an undertaking manufacturing equipment for the food industry)</p> <p>Application dismissed (Annulment of the Commission Decision of 24 October 1984 concerning aid granted to Boch, a ceramic sanitaryware and crockery manufacturer)</p> <p>The application is dismissed as inadmissible (Annulment of Commission Decision 85/380/EEC of 5 June 1985 concerning the incompatibility with the Treaty of an aid scheme in favour of the textile and clothing industry in France)</p>
<p>Social policy</p> <p>10.7.1986: 60/85 van Vermoolen née Luijten, v Raad van Arbeid, Breda¹</p>	<p>The effect of determining that a given Member State's legislation is the legislation applicable to a self-employed person pursuant to Article 13(2) (b) of Regulation (EEC) No 1408/71, as amended by Council Regulation (EEC) No 1390/81, is that only that legislation is applicable to him</p>
<p>Equal treatment of men and women</p> <p>1.7.1986: 237/85 Gisela Rummler v Dato-Druck⁶</p>	<p>Council Directive 75/117/EEC (equal pay for men and women) does not prohibit the use, in a job classification system for the purpose of determining rates of pay, of the criterion of muscle demand or muscular effort or that of the heaviness of the work if, in view of the nature of the tasks involved, the work to be performed does require a certain level of physical exertion, so long as the system as a whole, by taking into account other criteria, precludes any discrimination on grounds of sex</p>

Date and case	Held
Free movement of workers	
3.7.1986: 66/85 Deborah Lawrie-Blum v Land Baden-Württemberg ⁶	<p>1. A trainee teacher undergoing, under the direction and supervision of the authorities responsible for the State school system, a period of practical training preparing him for the teaching profession during which he provided services by giving lessons and receives pay must be regarded as a worker within the meaning of Article 48(1) of the EEC Treaty regardless of the legal nature of the employment relationship</p> <p>2. The period of practical training preparing trainee teachers for the teaching profession cannot be regarded as employment in the public service within the meaning of Article 48(4) to which nationals of other Member States may be denied access</p>
Agriculture	
10.7.1986: 151/85 Firma E. Danhuber v Bundesanstalt für Landwirtschaftliche Marktordnung ³	<p>1. Where meat is delivered frozen to the place of storage, it does not constitute 'fresh or chilled' meat within the meaning of Article 5(2) of Council Regulation (EEC) No 805/68 and hence cannot qualify for the private storage aid provided for by that provision</p> <p>2. It is not compatible with the Community rules governing private storage aid for beef and veal for the steps preparatory to storage, in particular the freezing of the meat, to be carried out at a place other than the place of actual storage</p>
11.7.1986: 117/86 R Unión de Federaciones Agrarias de España (Ufade) v Council and Commission ²	Application dismissed (Application for suspension of the operation of Council Regulation No 569/86 and Commission Regulation No 574/86)
11.7.1986: 119/86 R Kingdom of Spain v Council and Commission ²	Application dismissed (Application for suspension of the operation of Council Regulation No 569/86 and Commission Regulations Nos 574/86 and 647/86)
11.7.1986: 128/86 R Kingdom of Spain v Commission ²	Application dismissed (Application for suspension of the operation of Council Regulation No 648/86)
25.8.1986: 214/86 R Hellenic Republic v Commission	<p>1. Application of Commission Decision 86/475 of 20 June 1986 on clearance of the accounts presented by the Hellenic Republic in respect of the EAGGF Guarantee Section expenditure for 1982 by means of the decision providing for the advance payment for September adopted by the Commission on 19 August 1986 is suspended, as a precautionary measure, until the order terminating the present proceedings for interim measures has been made</p> <p>2. The proceedings for interim measures shall continue. The Commission must submit its written observations not later than 20 August 1986</p>

Date and case	Held
<p>Convention concerning Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters</p> <p>10.7.1986: 198/85 Fernand Carron v Germany³</p>	<p>1. The second paragraph of Article 33 of the Brussels Convention must be interpreted as meaning that the requirement to give an address for service laid down in that provision must be complied with in accordance with the rules laid down by the law of the State in which enforcement is sought or, if those rules do not specify when that requirement must be complied with, no later than the date on which the enforcement order is served</p> <p>2. The consequences of an infringement of the rules concerning the choice of an address for service are, by virtue of Article 33 of the Convention, governed by the law of the State in which enforcement is sought, provided that the aims of the Convention are respected</p>
<p>Institutional matters</p> <p>10.7.1986: 149/85 Wybot v Faure and Others³</p>	<p>Article 10 of the Protocol of 8 April 1965, which grants members of the European Parliament immunity 'during the sessions of the Assembly', must be interpreted as meaning that the European Parliament is to be considered to be in session, even if it is not actually sitting, until the decision closing its annual or extraordinary session</p>
<p>3.7.1986: 34/86 Council v Parliament⁶</p>	<p>1. The act of the President of the European Parliament of 18 December 1985 whereby he declared that the budget for 1986 had been finally adopted ('Final adoption of the general budget of the European Communities for the financial year 1986'⁷) is declared void</p> <p>2. The annulment of the aforesaid act of the President of the European Parliament of 19 December 1985 may not call in question the validity of the payments made and the commitments entered into, in implementation of the budget for 1986 as published in the <i>Official Journal of the European Communities</i>, before the date of delivery of this judgment</p>
<p>Environment</p> <p>3.7.1986: 79/79 Laporte Industries v Commission⁸</p>	<p>Ordered removed from the Court Register (Annulment of the Commission Decision of 19 February 1979 addressed to the applicant pursuant to Directive 78/176/EEC on waste from the titanium dioxide industry)</p>

Date and case	Held
Infringements	
10.7.1986: 235/84 Commission v Italy ³	<p>1. By failing to adopt within the prescribed period all the measures needed to comply fully with Article 6(1) and (2) of Council Directive 77/187/EEC on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of businesses, the Italian Republic has failed to fulfil its obligations under the Treaty;</p> <p>2. The remainder of the application is dismissed</p>
3.7.1986: 362/85 Commission v Italy	Ordered removed from the Court Register (Commission Directive 82/331/EEC — propagation of the vine)
3.7.1986: 398/85 Commission v Luxembourg ²	Ordered removed from the Court Register (Commission Directive 82/500/EEC — suppression of radio interference with regard to luminaires)
3.7.1986: 399/85 Commission v Luxembourg ³	Ordered removed from the Court Register (Commission Directive 82/499/EEC — radio interference)
3.7.1986: 308/84 Commission v Italy ³	Ordered removed from the Court Register (Implementation of Article 6 of Regulation No 834/74, as amended by Regulation No 2680/77 — refund of sugar production levies)
3.7.1986: 20/86 Commission v Germany ⁸	Ordered removed from the Court Register (Council Directives 77/799/EEC and 79/1070/EEC — mutual assistance in the fields of direct taxation and VAT)

Disputes between the Community and its staff

v Economic and Social Committee:

10.7.1986: 270/84 — Licata⁵ — application dismissed

10.7.1986: 153/85 — Trenti³ — application dismissed as inadmissible

v Court of Auditors:

10.7.1986: 255/85 — Pressler-Hoeft³ — application dismissed as inadmissible

¹ OJ C 206, 16.8.1986.

² OJ C 204, 13.8.1986.

³ OJ C 209, 20.8.1986.

⁴ OJ C 199, 8.8.1986.

⁵ OJ C 196, 5.8.1986.

⁶ OJ C 200, 9.8.1986.

⁷ OJ L 358, 31.12.1985.

⁸ OJ C 215, 26.8.1986.

Court of Auditors

2.4.34. On 10 July the Court of Auditors adopted two reports:

- (i) a special report on specific Community regional development measures under the Regional Fund (non-quota section);
- (ii) a special report on the aid scheme for oilseeds.

Economic and Social Committee

238th plenary session

2.4.35. The Economic and Social Committee held its 238th meeting on 2 and 3 July with Mr Gerd Muhr in the chair.

It adopted all the opinions on its agenda and gave two own-initiative opinions, one on the economic situation and the other on relations between the Community and Asean.

It also adopted an amendment to Article 5 of its internal Rules of Procedure to bring the number of members of its Bureau to 30.

The session was attended by Mr Alois Pfeiffer, the Member of the Commission with special responsibility for economic affairs, who spoke on the medium-term prospects for the economy and employment.

The economic situation in the Community (first half of 1986)

2.4.36. On 3 July the Committee adopted by 91 votes to 49, with 5 abstentions, an own-initiative opinion on the economic situation in the first half of the year.¹ It broadly accepted the analysis given. A quick glance at the economic prospects for 1986 indicates a positive trend. Employment is increasing and price rises are slowing down but there is still a high level of unemployment.

A closer alignment of the Member States' economic and financial policies would

make it possible to improve the operation of the EMS and to restore the balance of trade. Lastly, the Committee stressed the need to formulate an employment policy and to extend the cooperation strategy for growth by redistributing and reducing working time.

Relations between the Community and Asean

2.4.37. By a unanimous vote less one abstention, the Committee adopted an own-initiative opinion on relations between the Community and the member countries of the Association of South-East Asian Nations (Asean). The opinion emphasizes the scope and need for greater cooperation between the Community and the Asean countries and lists the areas in which there is potential for action to increase cooperation. The Committee took a very favourable view of the setting up of Asean, which has displayed relative political stability and is contributing to economic growth in the region. By forging closer links between its members, Asean is becoming a more important economic partner. The Committee delivered a positive appraisal of the Cooperation Agreement concluded between the Community and Asean in 1980.²

Creation of a common information market

2.4.38. The Committee unanimously adopted an opinion on the communication from the Commission to the Council entitled 'Work programme for creating a common information market'.³ The document represents a continuation of existing Community policy. The Committee agrees with the Commission that if politicians, economists and scientists are to work efficiently it is increasingly important that

¹ The Committee expresses two opinions a year on the economic situation in the Community. The first, as in this case, is an own-initiative opinion, while the second follows a referral from the Council and is based on a specific Commission document, the annual economic report.

² Fourteenth General Report, point 690.

³ Bull. EC 11-1985, point 2.1.45.

they have ready access to the specialist information they require. The development of the new information and communications technologies is opening up new prospects which will be effective only if barriers are systematically removed by cooperation between the national authorities concerned and by Community action. The creation of an efficient on-line Community information services network presupposes that the technological, economic and social problems raised by rapid growth in the information technologies have been solved. The Committee feels that the programmes conducted hitherto by the Community, in particular the programme to develop the Community's specialist information market and similar programmes such as Esprit, RACE, Caddia and Insis, are helping to solve these problems. However, these programmes need to be supported by national efforts to develop the market and to be strengthened by closer cooperation at Community level.

Customs warehouses and free zones

2.4.39. The Committee unanimously adopted an opinion on the proposals for Council Regulations on customs warehouses and on free zones and free warehouses.¹

The Committee was pleased to note that the proposals were one of the final steps in converting directives into regulations as a preliminary to the establishment of a Community Customs Code, which is currently being drawn up and to which the Committee attaches great importance. It felt that such an approach was justified and necessary but considered that, if this opinion were not shared, it was essential for the proposal at least to enter into force at the same time as the proposals for regulations currently before the Council, which were legally related to the regulations on free zones and customs warehouses, e.g. customs debt, persons liable for the payment of a customs debt, etc.

The Committee also felt that the harmonization of customs legislation was a measure

designed to establish the common market within the meaning of Article 235 of the Treaty rather than a commercial policy measure within the meaning of Article 113.

Customs territory

2.4.40. The Committee unanimously adopted an opinion on the proposal for a Council Regulation laying down the provisions applicable to goods brought into the customs territory of the Community.²

It felt that priority should be given to the Customs Code to ensure the simultaneous entry into force of all proposals for Regulations still outstanding in the field of customs legislation and expressed the view that the Community legislative bodies should also help to restrict the number of amendments to legislation so that individuals and the authorities could keep pace.

Operations of listed companies

2.4.41. By a majority vote, with one vote against and three abstentions, the Committee adopted an opinion on the proposal for the Council Directive on information to be published when major holdings in the capital of a listed company are acquired or disposed of.³ It approved in principle the main parts of the Commission's proposal, adoption of which would help to make stock exchange transactions more transparent for shareholders and potential investors alike and make it easier for savers to acquire shares of listed companies. It also felt that financial integration of the Community was of major importance for the completion of the internal market.

Reorganization and winding-up of credit institutions

2.4.42. The Committee unanimously adopted an opinion on the proposal for a Council Directive on the coordination of

¹ OJ C 283, 6.11.1985; Bull. EC 10-1985, point 2.1.41.

² OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.49.

³ OJ C 351, 31.12.1985; Bull. EC 12-1985, point 2.1.83.

laws, regulations and administrative provisions relating to the reorganization and winding-up of credit institutions.¹ The proposal has three separate aims:

- (i) the reorganization of credit institutions and the application to branches in other Member States of such measures taken in the State in which the institution has its head office;
- (ii) the winding-up of credit institutions and the application to branches in other Member States of such a decision taken in the State in which the institution has its head office;
- (iii) deposit guarantee schemes.

In its opinion, the Committee noted that under the new Directive the territorial validity of the decisions on reorganization taken by the authorities in the host country gives way to the rule that the decisions of the competent authorities of the home country are applicable and extend to all Member States where the credit institution has a branch.

As regards deposit guarantee schemes, the Committee understood the public's anxiety as to whether, and how, their deposits were guaranteed in the event of a credit institution failing. It felt that it was justified to allow any branch of a credit institution having its head office in another Member State to subscribe to the host country's guarantee scheme on the same terms as those offered to credit institutions having their head office in the host country, unless the branch is covered in the host country by the home country's scheme and provided this scheme is no less favourable than the host country's scheme and membership of the host country's scheme is not compulsory.

On the other hand, as long as some Member States do not have a guarantee scheme, it seems quite unacceptable to require existing guarantee schemes to provide cover for branches in a Member State where no such scheme operates.

The fight against poverty

2.4.43. By a majority vote with one abstention, the Committee adopted an opinion on the proposal to amend the Council Decision on specific Community action to combat poverty.² Although it approved the proposal, it felt that the budget was too limited. It expressed its profound concern about the increase in poverty in the Community and again called for increased Community action.

Social security schemes for employed persons

2.4.44. The Committee unanimously adopted an opinion on the proposal for a Council Regulation³ No 1408/71 on the application of social security schemes to employed persons, self-employed persons and members of their family moving within the Community, and its implementing regulation. It approved the amendments proposed by the Commission following the accession of Spain and Portugal, which it felt had been properly made.

STAR programme

2.4.45. With six votes against, the Committee 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 improving access to advanced telecommunications services (STAR programme),⁴ and the amendment to this proposal.⁵

The Committee welcomed this initial Community programme, which should enable less-favoured peripheral regions to catch up in other areas where they lag behind (productive activities, communications, accessibility of markets), but made a number of

¹ OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.81.

² OJ C 151, 17.6.1986; Bull. EC 5-1986, point 2.1.78.

³ Bull. EC 3-1986, point 2.1.79.

⁴ OJ C 356, 31.12.1985; Bull. EC 1-1986, points 2.1.80 and 2.1.81.

⁵ OJ C 147, 14.6.1986; Bull. EC 5-1986, point 2.1.102.

comments aimed at maximizing the effectiveness of the programme.

Forestry sector

2.4.46. The Committee unanimously adopted an opinion on a Commission discussion paper regarding Community action in the forestry sector,¹ and a supplementary memorandum to the paper.² It welcomed the Commission's action in addressing forestry issues and felt that reforestation could assist the Commission's efforts to cut back surplus production. It had already welcomed a common forestry policy in its opinion on the Commission's communication to the Council on forestry policy in the Community and the proposal for a Council resolution concerning the objectives and principles of forestry policy.³

The Committee hoped that the Community programme for action on forests would take account of the economic importance of forestry and the place and role of the wood-processing industries in the development of forestry.

Wine sector in Portugal

2.4.47. With two abstentions, the Committee adopted an opinion on the proposal for a Council Regulation on common measures to improve wine-growing structures in Portugal.⁴ It approved the proposal, which has as its main aim the restructuring and rationalization of the Portuguese wine sector using the structural measures which have proved effective in other Member States.

ECSC Consultative Committee

2.4.48. On 24 July the Council adopted a decision appointing the Spanish and Portuguese members and an additional Italian member of the ECSC Consultative Committee for the period from 24 July 1986 to 17 February 1987.⁵

European Investment Bank

Operations in July and August

2.4.49. Loans totalling 290 million ECU,⁶ for investments within the Community were granted by the European Investment Bank in July and August—153.2 million in the United Kingdom, 69.1 million in Germany, 36.4 million in France, 25 million in Portugal and 6.3 million in Denmark. Outside the Community the Bank lent 82 million ECU to ACP States under the third Lomé Convention and 1.2 million to Cyprus under the Financial Protocol between the EEC and this country.

Community

United Kingdom

2.4.50. UKL 97.7 million was granted to the United Kingdom, including UKL 55 million for transport development: UKL 30 million will help the development of a civil aircraft being carried out in a cooperative venture by three companies from the Netherlands, Northern Ireland and Germany. The loan went to Short Brothers plc. Belfast, for the production of the Fokker-100 (90 to 110 seats), a short-haul jet which will be marketed throughout the world. Shorts are the largest industrial employers in Northern Ireland and the project will help promote economic activity and employment.

A further UKL 25 million was for the modernization of British Rail's mainline network by the extension of electrification and upgrading works and new signalling on

¹ Bull. EC 12-1985, points 2.1.171 and 2.1.172.

² Bull. EC 2-1986, points 2.1.128 to 2.1.134.

³ OJ C 227, 10.9.1979.

⁴ OJ C 153, 19.6.1986; Bull. EC 6-1986, point 2.1.198.

⁵ OJ C 198, 7.8.1986.

⁶ The conversion rates used by the EIB for statistical purposes during the third quarter are those obtaining on 30 June 1986 when 1 ECU = BFR 43.92, DKR 7.97, DM 2.15, DR 137.48, ESC 146.34, FF 6.85, HFL 2.42, IRL 0.71, LFR 43.92, LIT 1 476, PTA 137.24, UKL 0.64, USD 0.98.

the London to Harwich and London to Cambridge main lines.

UKL 22 million went to other infrastructure projects, mainly intended to improve environmental protection: UKL 17 million to strengthen and renew the water supply and sewage network in Wales to bring drinking water quality up to EEC standards and reduce pollution, particularly along the coast in a region visited by a large number of tourists each summer. This work will assist economic development. In Scotland a further UKL 5 million was granted for work of the same kind to protect the environment and safeguard the attractiveness of the coast off the Firth of Forth, one measure being to connect the sewage network to the Edinburgh sewage disposal system.

Finally, UKL 20.7 million was granted direct to industry and services: UKL 10 million for the development of the largest open-cast granite quarry in Europe at Glensanda (West Coast of Scotland) by the installation of crushing, screening and storage plant and the construction of a marine terminal, mainly for exports to the USA. The Cooperative Wholesale Society Ltd received UKL 3.1 million for an integrated data-processing system and communication links for all its manufacturing and distribution centres to improve its competitiveness. UKL 2.2 and 5.4 million respectively went to two business class hotels, one in Dundee (104 rooms with leisure complex and business centre) and the other in Manchester (renovation of a city-centre hotel, including installation of a new 1 400-seat conference hall and a leisure complex).

Germany

2.4.51. DM 150 million was granted for the improvement of water quality by the construction of a drinking-water reservoir north-east of Cologne which will provide clean surface water to replace polluted supplies currently drawn from groundwater resources and the Rhine. This work will make a significant improvement in the quality of domestic water supplies to some 1 million people, bringing it up to Com-

munity standards. The project will also ensure security of supply for some 2.5 million people should a major pollution incident occur in the Rhine, and will clean up the water in the Wupper and Rhine. It also includes water treatment plants, pumping stations, distribution mains and major environmental protection works with a capacity of 81 million cubic metres.

France

2.4.52. The EIB made a loan of FF 410 million, of which FF 300 million went to Automobiles Peugeot SA to rebuild its paint shop at Sochaux, as part of the campaign to give European industry a competitive edge by stepping up the development of advanced technology.

Although the rebuilding will leave the plant's capacity unaltered at 1 800 vehicles a day, it will help improve the quality and durability of the paintwork of top-of-the-range models. Working conditions will also be greatly improved (less discomfort, upgrading of skill levels). The new stoving and drying operations, moreover, will require less energy consumption: they feature dual media (electricity and gas), a central heat recovery unit and the use of paints that dry at lower stoving temperatures.

FF 10 million went to help in the modernization of an extruders and pumps factory to raise production capacity and underwrite an ambitious research and development programme. The project includes 1 500 square metres of buildings for a testing and demonstration shop and the improvement and enlargement of the machine-tool facilities using the very latest numerical-control equipment and computerized systems.

In addition, as part of international efforts to improve the quality of water and to protect the marine environment in the Mediterranean, FF 110 million was lent for the construction of a waste water treatment plant serving Marseille and seven neighbouring districts. The works include some 5 km of sewers, two pumping stations, a physiochemical waste water treatment plant

with a capacity of 360 000 cubic metres a day (sufficient for a population of 1.7 million) and a sludge treatment plant.

Portugal

2.4.53. The EIB lent ESC 3 700 million for road and motorway schemes of which ESC 2 200 million was earmarked for improving communications between the three major industrial centres of northern Portugal (Oporto and the valleys of the Ave and the Sousa) by the construction of three sections of motorway with a combined length of almost 48 km between Oporto and Maia (8.4 km), Oporto and Famalição-Cruz (27.1 km) on the A3, and Aguas Santas and Campo (12 km) on the A4.

A further ESC 1 500 million went for bypassing the towns of Oliveira de Azeméis, Vila do Conde/Póvoa de Varzim, Fail and Castelo Branco in the north and east of the country and an 11.3 km section of two-lane dual carriageway between Campo and Paredes extending the future motorway leaving Oporto to the east.

Denmark

2.4.54. DKR 50 million was lent for a distribution grid for heat supplied by a waste incineration plant and recovered from a new coal-fired power station. These plants will reduce oil consumption by some 28 000 tonnes a year by replacing oil-fired boilers.

Outside the Community

ACP States

2.4.55. A total of 82 million ECU was granted to five ACP States under the third Lomé Convention. Of this, 16 million ECU was drawn from risk capital provided for in the Convention and managed by the EIB, out of European Development Fund resources.

In Zaire, a loan of 50 million ECU to Gécamines-Exploitation (Générale des Car-

rières et des Mines) will help to rehabilitate and consolidate production capacity at Shaba in the Zaire-Zambia copper belt area, which contains about 12% of total world copper reserves and more than half the world's cobalt.

The EIB loan is intended particularly for the rehabilitation of the concentrators at Kolwezi and Kamota-Dima, treatment of slag and fumes from the fire-refining plant at Lubumbashi plus various investment schemes designed to boost metal recovery rates in the metallurgical plants. The programme involves most of Gécamines-Exploitation's production units, improving the company's profitability against the background of trends in copper and cobalt prices; European Community support has also been sought under Sysmin.

In Senegal, the EIB lent 13.5 million ECU, drawn from risk capital, for the restructuring of an industrial complex and the financing of small and medium-scale ventures in the industrial, agricultural processing, tourism and fisheries sectors: 7 million ECU went to help to finance the State's share of an increase in the share capital of Industries Chimiques du Sénégal (ICS), which processes on the spot a proportion of the phosphates produced from the Taiba deposits.

6.5 million ECU went to the Société financière sénégalaise pour le développement de l'industrie et du tourisme (Sofisedit): 5 million ECU was in the form of a global loan to create or rehabilitate small and medium-scale ventures in industry, agricultural processing, tourism and fisheries and 1.5 million ECU for financing studies or for acquisition of equity participations.

In Jamaica, a global loan of 10 million ECU to the National Development Bank of Jamaica Limited (NDB) will be onlent to small and medium-sized enterprises in the industrial, agro-industrial and tourism sectors, selected in agreement with the EIB. NDB is the country's leading institution for financing investment in the industrial, agro-industrial and tourism sector and was set up with support from the EIB.

8 million ECU, including 2 million in risk capital, was granted to Mauritius, also for small and medium-sized industrial, agricultural processing and tourism enterprises. The borrower is the Development Bank of Mauritius, a public financing institution set up in 1964 to promote the diversification of the country's economy. The 6 million ECU global loan from the EIB's own resources will help in financing productive investment schemes whilst the risk capital element will go towards boosting the equity of new or expanding businesses geared to export trade.

Mediterranean

2.4.56. In Cyprus, 1.2 million ECU out of Community budget resources was lent for the extension of the sewerage and sewage treatment system of Nicosia, the capital, to provide a modern water-borne gravity sewerage system for the Greek and Turkish Cypriot sections of the city and to extend an existing sewage treatment plant and install a pressurized water supply network in the Turkish sector. This project, which will serve some 18 000 people, will improve the environment and provide treated water for agricultural irrigation.



PART THREE
DOCUMENTATION

1. ECU

Values in national currencies of one ECU

29 August 1986 ¹	
Belgian franc and Luxembourg franc (convertible)	43.4866
Belgian franc and Luxembourg franc (financial)	44.0270
Danish krone	7.94587
German mark	2.10018
Greek drachma	138.325
Portuguese escudo	149.984
French franc	6.88246
Dutch guilder	2.36932
Irish pound	0.763683
Italian lira	1 449.13
Spanish peseta	137.434
Pound sterling	0.692217
United States dollar	1.02448
Swiss franc	1.69470
Swedish krona	7.09094
Norwegian krone	7.51200
Canadian dollar	1.42833
Austrian schilling	14.7884
Finnish mark	5.05223
Japanese yen	159.563
Australian dollar	1.68223
New Zealand dollar	2.09935

¹ OJ C 219, 30.8.1986.

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

July-August 1986	
National currency	Value in national currency of one ECU
Belgian franc and Luxembourg franc	47.3310 ¹
	46.8712 ²
Danish krone	8.58163 ¹
	8.54964 ²
German mark	2.41047 ³
	2.39792 ⁴
	2.38516 ⁵
Greek drachma	102.345 ⁶
	116.673 ⁵
Portuguese escudo	153.283 ⁷
	151.812 ²
French franc	7.31248 ³
	7.54546 ⁸
	7.10590 ⁶
	7.20131 ¹
	7.09967 ²
Dutch guilder	2.71620 ³
	2.70178 ⁴
	2.68749 ⁵
Irish pound	0.772618 ¹
	0.761200 ²
Italian lira	1 539.00 ⁹
	1 482.00 ⁶
	1 554.00 ⁵
Spanish peseta	144.382 ⁶
	147.208 ¹
	145.796 ²
Pound sterling	0.654044 ⁸
	0.635626 ¹
	0.626994 ²

¹ For livestock products.

² For crop products.

³ For milk and milk products.

⁴ For cereals.

⁵ For other products.

⁶ For wine.

⁷ For sheepmeat and goatmeat.

⁸ For pigmeat.

⁹ For cereals and oilseeds.

2. Additional references in the Official Journal

3.2.1. This section lists the titles of legal instruments and notices of Community institutions or organs which have appeared in the Official Journal since the last Bulletin was published but relating to items appearing in earlier issues of the Bulletin; the references were not available when the Bulletin went to press.

The number of the Bulletin and the point to which this additional information refers is followed by the title shown on the cover of the Official Journal the number of the issue and the date of publication.

Bull. EC 12-1985

Point 2.5.30

Internal Regulations of the Consultative Committee of the European Coal and Steel Community (1986)

OJ No C 149, 16.6.1986

Bull. EC 1-1986

Point 2.2.36

Joint Assembly of the Agreement between the African, Caribbean and Pacific States and the European Economic Community

OJ No C 168, 7.7.1986

Bull. EC 4-1986

Point 2.1.50

Commission Decision of 23 April 1986 relating to a proceeding under Article 85 of the EEC Treaty (IV/31.149 — Polypropylene)

OJ No L 230, 18.8.1986

Points 2.4.42 to 2.4.52

Opinions adopted by the Economic and Social Committee during its session on 23 and 24 April 1986

OJ No C 189, 28.7.1986

Bull. EC 5-1986

Point 2.1.13

Council Directive of 26 May 1986 on the approximation of the laws of the Member States relating to

roll-over protective structures (ROPS) for certain construction plant

Council Directive of 26 May 1986 on the approximation of the laws of the Member States relating to falling-object protective structures (FOPS) for certain construction plant

Council Directive of 26 May 1986 on the approximation of the laws of the Member States relating to the power take-offs of wheeled agricultural and forestry tractors and their protection

Council Directive of 26 May 1986 on rear-mounted roll-over protection structures of narrow-track wheeled agricultural and forestry tractors

OJ No L 186, 8.7.1986

Point 2.1.66

Resolution of the Council and the Representatives of the Governments of the Member States, meeting within the Council, of 29 May 1986, on a programme of action of the European Communities on toxicology for health protection

Resolution of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, of 29 May 1986, on alcohol abuse

Resolution of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, of 29 May 1986, concerning the adoption of a European emergency health card

Resolution of the Council and the Representatives of the Member States, meeting within the Council, of 16 June 1986, concerning the protection of dialysis patients by minimizing the exposure to aluminium

Resolution of the Representatives of the Governments of the Member States, meeting within the Council, of 29 May 1986 on AIDS

OJ No C 184, 23.7.1986

Point 2.1.108

Proposal for a Council Directive on the approximation of the laws of the Member States relating to the measures to be taken against the emission of gaseous pollutants from diesel engines for use in vehicles

OJ No C 193, 31.7.1986

Point 2.1.156

Commission Decision of 26 May 1986 on a supplement to the multiannual guidance programme in respect of aquaculture for the period 1984 to 1988 submitted by France pursuant to Regulation (EEC) No 2908/83
OJ No L 171, 28.6.1986

Point 2.1.160

Commission opinion of 30 May 1986 addressed to the French Government on their draft decree concerning the implementation of various provisions of Council Regulation (EEC) No 543/69 as amended, on the harmonization of certain social legislation relating to road transport
OJ No L 182, 5.7.1986

Points 2.4.19 to 2.4.31

Opinions adopted by the Economic and Social Committee during its session on 21 and 22 May 1986
OJ No C 207, 18.8.1986

Bull. EC 6-1986

Point 2.1.97

Commission Decision of 10 June 1986 concerning aid which the Belgian Government has granted to a ceramic sanitary ware and crockery manufacturer
OJ No L 223, 9.8.1986

Point 2.1.161

Seventh Commission Directive of 24 June 1986 adapting to technical progress Council Directive 67/578/EEC on the approximation of laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances
OJ No L 247, 1.9.1986

Point 2.2.43

Council Decision of 30 June 1986 on the association of the Overseas Countries and Territories with the European Economic Community
OJ No L 175, 1.7.1986

Point 2.2.51

Council Decision of 30 June 1986 reallocating the unexpended balance of the resources set aside under the fifth EDF for stabilization of the export earnings of the Overseas Countries and Territories
OJ No L 175, 1.7.1986

3. Infringement procedures

Initiation of proceedings for failure to implement directives

3.3.1. In July and August the Commission sent letters of formal notice for failure to incorporate directives into national law (the Commission not having been informed of national implementing measures) in the following cases:

Internal market and industrial affairs

Council Directive of 28 March 1983¹ amending the Council Directive of 27 July 1976 on the approximation of the laws of the Member States

on clinical mercury-in-glass maximum-reading thermometers² (Belgium, Germany, United Kingdom, Italy, Ireland).

Commission Directive of 18 July 1984³ adapting to technical progress the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to clinical mercury-in-glass maximum-reading thermometers² (Belgium, Germany, United Kingdom, Italy, Ireland).

Council Directive of 18 December 1984⁴ amending the Council Directive of 19 December 1974 on

¹ OJ L 91, 9.4.1983.

² OJ L 262, 27.9.1976.

³ OJ L 228, 25.8.1984.

⁴ OJ L 4, 5.1.1985.

the approximation of the laws of the Member States relating to the making up by volume of certain prepackaged liquids¹ (Italy).

Commission Directive of 31 January 1985² adapting to technical progress the Council Directive of 19 November 1973 on the approximation of the laws of the Member States relating to material measures of length³ (Germany, Ireland, Italy).

Council Directive of 26 October 1983⁴ amending the Council Directives of 26 January 1965 and 20 May 1975 on the approximation of provisions laid down by law, regulation or administrative action relating to proprietary medicinal products^{5,6} (Belgium, Denmark, Germany, Luxembourg).

Commission Directive of 18 April 1984⁷ adapting the Council Directive of 26 June 1978 on the approximation of the laws of the Member States relating to the classification, packaging and labelling of dangerous preparations (pesticides)⁸ (Germany, France, Luxembourg, Italy).

Third Council Directive of 9 October 1978 based on Article 54(3)(g) of the Treaty concerning mergers of public limited liability companies⁹ (Belgium, Greece, France, Ireland, Italy, Luxembourg, United Kingdom).

Sixth Council Directive of 17 December 1982 based on Article 54(3)(g) of the Treaty, concerning the division of public limited liability companies¹⁰ (Belgium, Greece, France, Ireland, Italy, Luxembourg, United Kingdom).

Council Directive of 21 December 1976 coordinating procedures for the award of public supply contracts¹¹ (Greece).

Council Directive of 22 July 1980¹² adapting and supplementing in respect of certain contracting authorities the Council Directive of 21 December 1976 coordinating procedures for the award of public supply contracts¹¹ (Greece).

Employment and social affairs

Council Directive of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security¹³ (Ireland, Luxembourg).

Agriculture

Council Directive of 21 December 1976 on protective measures against the introduction into the Member States of harmful organisms of plants or plant products¹⁴ (Greece).

Commission Directive of 23 June 1982 laying down the categories of ingredients which may be used for the purposes of labelling compound feedingstuffs for pet animals¹⁵ (Greece).

Council Directive of 30 June 1982 concerning certain products used in animal nutrition¹⁵ (Greece).

Commission Directive of 26 July 1984¹⁶ amending the Annex to the Council Directive of 30 June 1982 concerning certain products used in animal nutrition¹⁵ (Greece).

Council Directive of 11 November 1980¹⁷ amending the Council Directive of 26 June 1964 with regard to swine vesicular disease and classical swine fever¹⁸ (Greece).

Environment and consumer protection

Council Directive of 8 March 1984 on limit values and quality objectives for mercury discharges by sectors other than the chloralkali electrolysis industry¹⁹ (Denmark, Luxembourg).

Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste²⁰ (Denmark, Germany, Luxembourg, United Kingdom).

Council Directive of 20 March 1985 on the approximation of the laws of the Member States concerning the lead content of petrol²¹ (Denmark, Luxembourg).

Council Directive of 25 November 1983²² amending the Council Directive of 26 July 1971 on the approximation of the laws of the Member States relating to textiles names²³ (Germany, Luxembourg).

¹ OJ L 42, 15.2.1975.

² OJ L 54, 23.2.1985.

³ OJ L 335, 5.12.1973.

⁴ OJ L 332, 28.11.1983.

⁵ OJ L 22, 9.2.1965.

⁶ OJ L 147, 9.6.1975.

⁷ OJ L 144, 30.5.1984.

⁸ OJ L 206, 29.7.1978.

⁹ OJ L 295, 20.10.1978.

¹⁰ OJ L 378, 31.12.1982.

¹¹ OJ L 13, 15.1.1977.

¹² OJ L 215, 18.8.1980.

¹³ OJ L 6, 10.1.1979.

¹⁴ OJ L 26, 31.1.1977.

¹⁵ OJ L 213, 21.7.1982.

¹⁶ OJ L 245, 14.9.1984.

¹⁷ OJ L 325, 1.12.1980.

¹⁸ OJ L 121, 29.7.1964.

¹⁹ OJ L 74, 17.3.1984.

²⁰ OJ L 326, 13.12.1984.

²¹ OJ L 96, 3.4.1985.

²² OJ L 353, 15.12.1983.

²³ OJ L 185, 16.8.1971.

Fifth Commission Directive of 18 July 1984¹ adapting to technical progress Annexes II, III, IV, V and VI to the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products² (Belgium, Denmark, France, United Kingdom).

Council Directive of 8 March 1984 on limit values and quality objectives for mercury discharges by sectors other than the chloralkali electrolysis industry³ (Belgium, Ireland, Netherlands).

Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste⁴ (Belgium, France, Netherlands).

Commission Directive of 22 July 1985⁵ adapting to technical progress the Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste⁴ (Belgium, France, Netherlands).

Council Directive of 20 March 1985 on the approximation of the laws of the Member States concerning the lead content of petrol⁶ (Netherlands).

Council Directive of 25 November 1983⁷ amending the Council Directive of 26 July 1971 on the approximation of the laws of the Member States relating to textile names⁸ (Belgium, France, Netherlands).

Financial institutions and taxation

Seventeenth Council Directive of 16 July 1985 on the harmonization of the laws of the Member States relating to turnover taxes — exemption from value-added tax on the temporary importation of goods other than means of transport⁹ (Belgium, France, Ireland).

Council Directive of 10 June 1985¹⁰ amending the Council Directive of 17 July 1969 concerning indirect taxes on the raising of capital¹¹ (Greece, Luxembourg).

Energy policy

Council Directive of 13 February 1978 on the performance of heat generators for space heating and the production of hot water in new or existing non-industrial buildings and on the insulation of heat and domestic hot-water distribution in new non-industrial buildings¹² (Belgium, Denmark, France, Ireland, Italy, Luxembourg).

Council Directive of 10 December 1982¹³ amending the Council Directive of 13 February 1978 on

the performance of heat generators for space heating and the production of hot water in new or existing non-industrial buildings and on the insulation of heat and domestic hot-water distribution in new non-industrial buildings¹² (Belgium, Denmark, France, Ireland, Italy, Luxembourg).

Reasoned opinions

3.3.2. The Commission delivered reasoned opinions in the following cases:

Internal market and industrial affairs

Council Directive of 26 October 1983¹⁴ amending the Council Directive of 26 July 1971 on the approximation of the laws of the Member States relating to common provisions for both measuring instruments and methods of metrological control¹⁵ (Belgium, Italy).

Commission Directive of 16 January 1984¹⁶ adapting to technical progress the Council Directive of 6 February 1979 on the approximation of the laws of the Member States concerning electrical equipment for use in potentially explosive atmospheres employing certain types of protection¹⁷ (Ireland, Luxembourg).

Council Directive of 18 October 1982¹⁸ amending the Council Directive of 25 July 1978 laying down specific criteria of purity for antioxidants which may be used in foodstuffs intended for human consumption¹⁹ (Belgium).

Council Directive of 3 September 1984²⁰ amending the Council Directive of 6 February 1970 on the approximation of the laws of the Member States relating to the permissible sound level and the exhaust system of motor vehicles²¹ (Belgium).

Parallel imports of pesticides (France).

¹ OJ L 228, 25.8.1984.

² OJ L 262, 27.9.1976.

³ OJ L 74, 17.3.1984.

⁴ OJ L 326, 13.12.1984.

⁵ OJ L 272, 12.10.1985.

⁶ OJ L 96, 3.4.1985.

⁷ OJ L 353, 15.12.1983.

⁸ OJ L 185, 16.8.1971.

⁹ OJ L 192, 24.7.1985.

¹⁰ OJ L 156, 15.6.1985.

¹¹ OJ L 249, 3.10.1969.

¹² OJ L 52, 23.2.1978.

¹³ OJ L 378, 31.12.1982.

¹⁴ OJ L 332, 28.11.1983.

¹⁵ OJ L 202, 6.9.1971.

¹⁶ OJ L 31, 2.2.1984.

¹⁷ OJ L 43, 20.2.1979.

¹⁸ OJ L 297, 23.10.1982.

¹⁹ OJ L 223, 14.8.1978.

²⁰ OJ L 238, 6.9.1984.

²¹ OJ L 42, 23.2.1970.

Marketing of beer (Italy).

Registering of imported vehicles (certificate of conformity and roadworthiness tests) (Belgium).

Installation of data-processing systems reserved for State-owned Italian companies (Italy).

Employment and social affairs

Discrimination in public financing; non-university higher education (Belgium).

Environment and consumers

Commission Directive of 29 July 1983¹ adapting to technical progress for the fifth time the Council Directive of 27 June 1967 on the approximation of the laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances² (Germany).

Financial institutions and taxation

Retail price of manufactured tobacco (France).

Budgets

Recovery of own resources — tax status of notaries and bailiffs (Netherlands). Refusal to pay interest on overdue payments (Italy).

Proceedings terminated

3.3.3. The Commission decided not to continue the following infringement proceedings:

External relations

Cooperation agreement between Greece and Algeria (Greece).

Cooperation agreement between Greece and the USSR (Greece).

Cooperation agreement between Greece and China (Greece).

Internal market and industrial affairs

Minimum prices for flat glass (Greece).

Imports of explosives for non-military use (Italy).

Larger loans granted to purchasers of British cars (United Kingdom).

Indication of origin to be provided in retail sale of certain products (United Kingdom).

Order of 23 June 1978 concerning fixed heating installations (France).

Restrictions on exports of used oils (France).

Import ban on spirits and agricultural alcohol produced in France (Italy).

Free movement of nursing staff (Greece).

Free movement of dentists (Greece).

Free movement of doctors (Greece).

Agriculture

Exclusive rights to import grain maize (Greece).

Denaturing of skimmed milk for animal feeding (Italy).

Quantitative limit on imports of beef cattle through Ventimiglia (Italy).

Coupage of rosé table wines (France).

Scheme to encourage the formation of producer groups (Italy).

Import licences for dairy products: UHT milk, UHT cream (Ireland).

Small cuts of meat (Belgium).

Transport

Double authorization for transport (Italy).

Environment and consumers

Sulphur dioxide (Netherlands).

Origin marking on food products (Bolletje company) (Germany).

Financial institutions and taxation

Exemption of transport services supplied to postal authorities (Germany).

Differential taxation in respect of excise duties on liqueur wines (Italy).

Differential taxation of sparkling wine using designation of origin for tax purposes (Italy).

¹ OJ L 257, 16.9.1983.

² OJ 196, 16.8.1967.

Budgets

Refusal to pay interest on overdue payments of own resources (France).

Refusal to pay interest on overdue payments of own resources: sugar (Germany).

Recovery of own resources: imports of thoroughbred horses (France).

Recovery of own resources: contribution on alcoholic drinks and manufactured tobacco (France).

Customs union

VAT and charge for customs presentation of postal parcels (France).

4. Statement on the United Kingdom's term as Council President

Strasbourg, 8 July 1986¹

3.4.1. 'The story is told that when Winston Churchill addressed the Icelandic parliament, which is known as the Althing, many years ago, he began his speech with the following words: 'I come here from the mother of Parliaments'. Now the Althing, which had been sitting continuously since the 10th century, although it has moved indoors from its original site beside a waterfall, gasped at this impertinence. Churchill then went on to say: 'I come here from the mother of Parliaments but to address the grandmother of Parliaments'. Today, if I may develop the same conceit Mr President, I come here also from the mother of Parliaments but to address the daughter of 12 Parliaments. Not a profoundly legitimate daughter with the advantage of having no less than 12 mothers.

I am conscious that your very existence more than anything that you have as yet done, and whatever you may grow to achieve, is what itself signifies one of the great hinges on which European history has turned.

Twelve nations, who last year commemorated the events of 1945; 12 nations who only last week were remembering the battle of the Somme. Twelve nations now sit here together in peaceful democratic debate.

To the young, to those younger than ourselves, Mr President, it may look easy, even banal. But in terms of history the incredible has already been achieved for it is here and here alone that the leaders of the outside world can and do come to address us. The combined peoples of the European Community, growing together into one family. We

have no need to deny—rather we should make a virtue of the diversity in our unity. But now we have elected to live as one, we must not cease to strive to understand one another. Our worries, our passions, yes, and our eccentricities, which so often do not correspond. I go back only as far as Voltaire to illustrate what I mean. When Candide arrived in Portsmouth on a Dutch boat, in time to witness the bizarre execution of Admiral Bing, Candide said to his friend Martin: 'Vous connaissez l'Angleterre? Y est-on aussi fou qu'en France'. C'est une autre espèce de folie' said Martin.

You here in Strasbourg have indeed a broader view of the follies, the eccentricities, the qualities, the aspirations of the member governments of the Community. You will appreciate that each in its turn takes over the privilege of the Presidency with mingled trepidation, hope and determination. I would like to assure you that the United Kingdom recognizes first and foremost that there has to be a change, not in the powers but in the relationships between Parliament and Council if the Community is to move strongly ahead as we should all wish.

On behalf of the entire Council, I am in no doubt of the genuine desire of my colleagues to improve our consultation, make it effective and genuine and positive for the Community. That requires an effort on all sides from the Commission, who are certainly willing to make it, from the Council which I know is willing to make an extra effort, and from all of you.

¹ Speech in Parliament by Sir Geoffrey Howe, incoming President of the Council, on the United Kingdom's programme for its six-month term.

What are the tasks that we must now tackle together over the next six months? The first thing to be said is that just as most major achievements span the generations, so the achievements of the Community cannot be a matter of one Presidency, only six months long. If the trees which our Presidency plants may only grow to shelter our successors, we may, nevertheless gather fruit from the trees planted by our predecessors. I pay particular tribute, and gladly, to the good husbandry and energetic leadership of the Netherlands Presidency.

Our immediate task is to decide how to distribute the resources we have at our disposal to achieve our policies. For years the budget has been a battleground between Council and Parliament. Now, in what we should regard as a successful demonstration of the Community's institutional machinery at work, the Court has interpreted the Treaties for us. None of us wants to live with the uncertainty of not having a budget for 1986. None of us wants a protracted argument about how to finance a year already half over with money already committed and with the livelihood of citizens in all our countries at stake.

As Presidency we want to work with you for early agreement on a budget for the whole of 1986.

As the House knows, the Budget Council met yesterday afternoon and at 04.15 hours this morning, a characteristic Community hour, they were able to find a qualified majority for revised budget figures which I hope will open the way for a resolution of the 1986 budget problem this week.

It is not right for me to go into details now. Peter Brooke, the chairman of the Budget Council, is here in Strasbourg to put the matter to you formally.

However, I draw three points to your attention. First the Council has agreed on the full provision for payments from the Regional and Social Funds, which the Commission has proposed. I repeat, the full provision, and not 1 ECU less.

Second, in order to give high priority to the structural funds for which this Parliament itself has been calling, the Council has had to allocate almost all the resources available within the 1.4% ceiling.

Third, there was a wide range of views within the Council that agreement was achieved because all members of the Council accepted the need for a balanced outcome which Mr Brooke will commend to the House later in the week.

Of course, there are difficult choices to be made in setting our priorities for the 1980s and the 1990s. We have to adapt and not abandon existing policies within the resources available to us, exploiting the improved economic performance of

the Member States. We have to set our internal priorities for expenditure. We have to meet our obligations to the farming community. We have to meet our obligations to the unemployed, to young people in need of training, to developing regions and to regions of industrial decline. We have to meet our obligations to equip the Community to compete in the new technologies. The validity of the common agricultural policy has not changed but the conditions in which it operates must change, if our rural communities are to survive. We should not forget how deeply the nature of mankind is rooted in the earth itself, however urbanized the majority of us have become in the industrialized world. No one country has a monopoly on the life of the countryside. Rudyard Kipling, the famous English author, could have been writing of any one of the 12 Member States in the Community when he said: 'The strength of France is in her soil. If you stood 100 Frenchmen on their heads, you would find a good plough mould on the boots of at least 75'. We are an agricultural Community, with 12 agricultural Member States. We all agree on the need for action. None of us wants to see the continuation of the present situation in which half of the total Community budget is devoted to the storage and disposal of surpluses. None of us wants to see more of our resources pre-empted when the beneficiary is not the consumer, not the taxpayer and not even the farmer. We cannot expect our citizens to see the Community as a force for good in their own lives when they see and hear regular reports of thousands of tonnes of butter ageing in the stores or being disposed of at a fraction of its, earlier value.

There is widespread consensus within the Community on the need for adaptation. That agreement was reflected in the outcome of this year's price-fixing and in the resolution adopted by this Parliament in May and in the agreement by Heads of State or Government last month on the need for international negotiation in the next GATT round, on the need for further work in the OECD, on the need for increased bilateral discussion with other major suppliers and on the essential need to keep up the process of setting our own Community house in order through reform of the operation of the CAP.

This process of adaptation on which we have embarked is not without pain. But how much more painful it would be if each Member State had to tackle the process on its own. Instead, we have the opportunity to mobilize the institutional strength of the Community to enable us to do this job together. A large part of that shared responsibility across the institutions falls on you, the directly elected representatives of 300 million people, who know only too well from your constituents that

there is a dark side to the reassuring picture of a post-recession Community — a dark side peopled by those without work.

The growth of employment has to be tackled in a number of ways. I shall mention just three: through the use of the structural Funds, better coordinated and integrated as they now will be; through a strategy for employment growth of the kind which the United Kingdom, with other Member States, has already proposed and which has been commended for urgent study by the Social Affairs Council; through breaking down the remaining barriers which stand in the way of the internal market.

Why does it cost the European citizen twice as much to fly from Paris to London as it does an American citizen to fly the same distance in the United States?

Why did it take us 17 years to agree on the conditions under which Community architects could practise freely in every Community country? Why is it that we have no free market for financial services which are so crucial to the generation of greater economic unity, prosperity and jobs? Why is it that in some sectors we seem still to be better at erecting barriers to trade than at knocking them down?

What kind of common market is it where we are not even allowed to drink each other's beer?

We all know, do we not, the uncomfortable answers to these awkward questions. Lest we forget, your all-party Kangaroo Group rightly keeps on reminding us. How we answer these questions affects our ability to create more jobs within the Community and affects our competitive position in world trade. The creation of the single large market is the key to the development of industries which can compete in the world market. The Community accounts for 15% of world trade in agriculture but only 10% of the world market in information technology products. We face a challenge that comes not just from the United States and Japan but from the 'new Japans' of Taiwan, South Korea and Singapore.

The common commercial policy, one of the unsung successes of the Community, can be deployed to protect us against unfair competition. But we cannot hope to compete in world markets until we compete in our own. And we cannot compete in our own unless we have broken down the remaining barriers. That is why agreements on standards and agreements on opening up public procurement are at once so mundane, so hard to achieve and yet so essential. That is why I am encouraged by the success of the Eureka Conference in London last month. Eighteen countries were involved.

Their collaborative projects agreed so far are worth more than 2 000 million ECU. Eureka is proving to be success story for Europe.

In a world of harsh competition, it is all too easy for trade tensions to turn into trade wars. Of course the Community must protect its legitimate interests. Of course the Community has the strength to do so. But the Community on the one hand and the United States on the other are not just powerful trading blocs with trade interests that sometimes conflict. In so far as they do conflict, we should do all we can to settle those differences through the mechanisms available, for example, the GATT. But we are both much more than trading blocs. The security of the West depends upon a strong United States committed to the defence of Europe. The security of Europe depends upon a strong and prosperous Community. The Community is one of the leading political, as well as economic, power groups in the democratic West. We should be equal partners with our American allies in sharing responsibility for upholding and protecting western values.

Such a Europe has long been recognized as a vital interest of the United States. Spanish and Portuguese accession represents a significant gain for freedom and democracy. I am sure the people and government of the United States share our own judgment of the gains to our mutual security from the fact that Spain and Portugal have emerged from years of dictatorship and taken their rightful place among the family of democratic nations. Of course there will be some changes to trade flows. The welcome fact that the Commission has succeeded in reaching a sensible accommodation with the United States, enabling both sides to refrain from being sucked into a tightening spiral of retaliation and counter-retaliation, shows that any problems can be managed, as they must be.

If we are equal partners with the United States, then we are also equal interlocutors with the Soviet Union and the countries in eastern Europe. This is a testing time for East-West relations. We have a new Soviet leadership. We see many of the old policies presented in new packages. There is a lot of old wine in new bottles. But we should not assume that the mixture is exactly as it was before. We all hope that a second summit between the leaders of the United States and the Soviet Union will take place this year. We hope it will lead to genuine and verifiable progress in the arms control field, as well as progress on regional and human rights issues.

Moreover, the improvement of relations between East and West, which we all seek, does not depend exclusively on the behaviour of the superpowers. We must take every opportunity to seek common ground and real progress. All of us, not just the

superpowers, can help build the relationships that make these achievements possible. We cannot hope to respond as a Community to events which affect our vital interests unless the growing habit of cooperation in foreign policy becomes second nature. The new treaty provisions in the Single European Act, which are the result of a British initiative, are designed to reinforce our ability to act together.

The first major issue of foreign policy to arise during the British Presidency has, of course, been South Africa. This will be a real test of our ability to create a constructive European policy that can contribute to our agreed goal. I leave tonight for southern Africa to begin to fulfil the mandate given to me by the European Council. The policy of the Twelve on South Africa is clear. Our goal is the end of apartheid.

The specifically European contribution we hope to make is to help bring about a willingness on the part of all those who bear responsibility for South Africa's future, to begin a serious national dialogue on the future of that country. John Donne said, "No man is an island entire of itself. Any man's death diminishes me."

We here in Europe in a Community which rose out of the ashes of war as a lasting answer to the demand of the people of Europe for peace, freedom and prosperity, cannot turn our backs on the plight of the people of South Africa. The alternative to

dialogue and negotiation can only be increasing repression, polarization and bloodshed.

I hope that I shall go to southern Africa with the full backing of this Parliament for a mission whose success is obviously in the interests of all the people of South Africa and of Africa as a whole.

I will not attempt to predict what other problems we may have to face together in the coming six months. I look forward to discussing them with some of you in the two political cooperation colloquies I shall have with the Political Affairs Committee. Mrs Chalker and I will be answering your questions in the coming months. Your understanding and support for what we and our partners are trying to achieve in the name of the Twelve will be important to our success.

There will be no Euro-pessimism from the British Presidency. We shall be proud of what we have achieved together over the past few years: two new democracies successfully welcomed into membership; a new agreement with 70 of the world's developing countries; significant internal changes to equip ourselves for the tasks of the 1980s and the 1990s. Together we must be sure that these advances pave the way to the next stage of European unity; together because the Community is a partnership, a partnership of institutions each with its distinct role. It is our enterprise. In our Presidency we shall devote ourselves to that, our common cause.'

5. Disclosure in respect of branches of limited liability companies

Explanatory memorandum

3.5.1. 1. This proposal for an 11th Directive based on Article 54(3)(g) of the Treaty forms part of the framework concerning the coordination of safeguards in respect of companies. Its aim is to facilitate the exercise of the right of establishment by the creation of branches.

2. The freedom of establishment provided for in the Treaty applies not only to natural persons but also to companies and firms.¹ This is of particular importance to undertakings, since, unless they

belong to a single proprietor, they all have the legal form of companies and firms.

3. As long as a company is unable to transfer its registered office to another Member State or to merge with a company established there,² it can, unlike a natural person, exercise its right of establishment only by creating a subsidiary company or opening a branch. There is a fundamental differ-

¹ Articles 52 and 58 of the Treaty.

² See the proposal for a Tenth Directive in respect of the cross-border mergers of public limited companies (OJ C 23, 25.1.1985; Supplement 3/85 — Bull. EC).

ence, however, between a subsidiary company and a branch.¹

4. In this respect the following distinctions can be made between a branch and a subsidiary company:

(a) A subsidiary company has a legal personality of its own separate from that of its parent company. A branch, however, that forms an integral part of the undertaking which created it does not have separate legal personality;

(b) A subsidiary company concludes contracts with third parties in its own name, whereas a branch, when concluding such contracts, acts on behalf of the undertaking of which it forms part.

(c) A subsidiary company is liable for the commitments it enters into with its own assets; in the case of commitments entered into by a branch on behalf of the undertaking to which it belongs, however, liability extends to all the assets of that undertaking and not only to those which have been entrusted to the branch to carry on its activities.

(d) These assets are the property of the undertaking and not of the branch set up by it. A subsidiary company, on the other hand, may own such assets.

5. There are also appreciable differences between branches and subsidiaries in respect of the coordination of company law. These harmonization measures, which have hitherto been concentrated on limited liability companies,² cover all companies of the relevant types and therefore apply equally to subsidiary companies created by undertakings from other Member States. By contrast, the setting up of branches has not yet been the subject of coordination.

6. There may be no need for such coordination where branches are set up within a Member State and the undertaking to which the branch belongs is also governed by the law of that State. While a majority of Member States have also enacted legislation in this field, the branches which are of particular importance for the Community's internal market are those which are set up beyond frontiers through the exercise of the freedom of establishment. It is this subject alone which is dealt with below.

7. The coordination of company law has in particular the aim of facilitating and safeguarding the exercise of the right of establishment in its various forms. However, the fact that coordination is limited to companies, particularly in the field of disclosure, means that there is a certain discrepancy between protection in relation to companies which operate in other Member States by opening branches and those which operate by creating subsidiary companies.

8. The disclosure of information on subsidiary companies is in each Member State governed according to uniform rules of Community law. By contrast, there are no rules governing disclosure in respect of branches of companies from other Member States. And yet the Member State in which a branch is set up has a particular interest in such disclosure. In practice a branch is intended to be a permanent establishment from which business is transacted regularly. This explains why almost all Member States have introduced special rules relating to disclosure in respect of such branches, which rules, however, differ sharply. While some Member States have adopted very liberal arrangements, others have imposed very strict and far-reaching requirements. These differences have the effect of impeding the exercise of freedom of establishment.

9. The aim of this proposal is to ensure the protection of persons who deal with companies by way of a branch. In this context measures concerning disclosure in the Member State of the branch are unavoidable. Such disclosure may be effected without great administrative cost by relying on the system already established in respect of limited liability companies within the Community. Thus the coordination foreseen by this directive is confined to disclosure in respect of the branches of such limited liability companies.

10. The disclosure requirements must relate in the first instance to the branch itself. Further it must be clear of which company the branch is part and where the company is registered. All the information or the company as a whole will be available on that register. It therefore seems unnecessary to require in addition the disclosure of those documents and particulars on the register of the branch. However, the disclosure of persons having the power of representation must be an exception.

¹ In its judgment of 22.11.1978 concerning Article 5(5) of the Convention of 1968 on Jurisdiction and the Enforcement of Civil and Commercial Judgments the Court of Justice of the European Communities gave the following definition of a branch: 'The business which has the appearance of permanency, such as the extension of a parent body, has a management and is materially equipped to negotiate business with third parties so that the latter, although knowing that there will if necessary be a legal link with the parent body, the head office of which is abroad, do not have to deal directly with such parent body but may transact business at the place of business constituting the extension.' (Case 33/78 *Somafer SA v Saati-Fergas AG* [1978] ECR 2183).

² First Directive of 9.3.1968 (OJ L 65, 14.3.1968) on disclosure; Fourth Directive of 25.5.1978 (OJ L 222, 14.8.1978) on annual accounts; Seventh Directive of 13.6.1983 (OJ L 193, 18.7.1983) on consolidated accounts; Eighth Directive of 10.4.1984 (OJ L 126, 12.5.1984) on the approval of the persons responsible for statutory audits. By contrast, the Second Directive of 13.12.1976 (OJ L 26, 31.1.1977) on company capital; the Third Directive of 9.10.1978 (OJ L 295, 20.10.1978) on mergers and the Sixth Directive (OJ L 378, 31.12.1982) on divisions only apply to public limited companies.

11. Particular problems exist concerning accounting. Certain Member States have adopted provisions which in respect of the opening of branches require the publication of the accounts of the company of which the branch is a part. Others go further and require in addition the disclosure of annual accounts, relating to the branch itself. Serious doubts exist as to the economic meaning of such accounts and as to their usefulness as information for third parties. Further, these provisions would appear to have lost any justification following the coordination at Community level of the provisions concerning the drawing up, auditing and disclosure of the accounts of limited liability companies. The relevant accounts must therefore also be considered equivalent in respect of the exercise of rights of establishment. Thus disclosure in the register of the branch should be confined to specific accounting documents in respect of the company. By these means the directive will lead to the removal of regulation which has been rendered superfluous as a result of harmonization.

12. If discrimination is to be avoided, the Directive cannot be restricted to branches of limited companies from other Member States; it must as set out in Chapter II also cover branches of companies of a comparable nature from third countries. The differences of those provisions from those in respect of branches of companies from the Community result in particular from the fact that the harmonization measures of the Community do not cover such companies. However the provisions of this directive in respect of such companies must be considered as of a minimum nature.

Commentary on the Articles

I — Branches of companies of Member States

Article 1

The coordination is limited to the disclosure of branches of foreign companies. The scope of application of Chapter I covers only branches of companies which are subject to the law of another Member State. The definition of company is not based on the broad definition in Article 58 of the Treaty but covers only those companies for which a uniform disclosure procedure was introduced by the First Directive.¹

A file is opened in a public register for every limited liability company. All documents and particulars which must be disclosed must be kept on the file

or entered in the register. It is open to the public. Copies of the documents and particulars, kept or entered may be obtained by post on demand. The cost of such copies must not exceed their administrative cost. In addition, they must be published in a national gazette, at least in the form of a reference to the document which has been deposited in the file or entered in the register (cf. Article 3).

This disclosure procedure is extended by the present Directive to branches which are set up in a Member State by a limited company which is governed by the law of another Member State. The law of the Member State by which the company is governed may further require the disclosure of such branches to be effected in its company register.

Article 2

The requirement that there should be disclosure in the appropriate register for the branch covers in the first instance facts which concern the branch itself. This applies first of all to the address of the branch (a) and further to the name of the branch if it differs from that of the company (c). This applies for example where the branch uses the company's name but makes an addition which refers to the branch. Finally the closure of the branch must be disclosed (e).

For third parties that deal with the company it is important to know the identity of the persons who whether as a body constituted pursuant to law or as members of any such body have the authority to represent the company. Although disclosure of such persons on the register of the company is already imposed by the First Directive,² it is preferable to repeat the disclosure on the register of the branch. Where in respect of the branch's activities permanent representatives have been designated their identity must also be available to the public.

Where there is more than one person, it should be indicated whether each may act individually or whether they must act jointly (d). The Member State in which the branch has been opened may require the deposit of the certified signature of the persons who have the authority to represent the

¹ OJ L 65, 14.3.1968, Article 1. Amendment of the scope of application by reason of the accession of Denmark, Ireland and the United Kingdom to the European Communities: Act concerning the conditions of accession and the adjustments to the Treaties (Annex I, III H) OJ L 73, 27.3.1972, p. 89. Amendment of the scope of application by reason of the accession of Greece to the European Communities: Act concerning the conditions of accession and the adjustments to the Treaties (Annex I, III C) OJ L 291, 19.11.1979. Amendment of the scope of application by reason of the accession of Spain and Portugal: Act concerning the conditions of accession and adjustments to the Treaties (Annex 1) OJ L 302, 15.11.1985.

² Article 1(1) (d).

company in dealings with third parties (paragraph 2).

However, the disclosure requirement concerning documents and particulars which relate to the company to which the branch belongs is already covered by Article 2 of the First Directive. Apart from the disclosure of accounting documents, which are covered by Article 3 of this directive, these cover:

- (1) the instrument of constitution and memorandum and articles of association;
- (2) the amount of the capital subscribed in the context of an authorized capital;
- (3) Any transfer of the seat of the company;
- (4) The winding up of the company;
- (5) Any declaration of nullity of the company by the courts;
- (6) The appointment and identities of liquidators of the company;
- (7) The termination of the liquidation and striking-off the register.

In view of the provisions of the First Directive it seems unnecessary to require the disclosure of the above documents and particulars which concern the company as a whole also on the register of a branch set up by that company in another Member State. The register of the branch must however set out details of the register and the number in it under which the company is entered (b).

The disclosure of the documents and particulars required by Article 2 of this directive in the register of the branch provide wholly adequate protection for those persons who deal with a company via a branch. Therefore it should not be possible to require the disclosure of further documents and particulars. The exercise of the right of establishment by setting up a branch would otherwise be unnecessarily burdensome.

Separate provisions cover accounting documents which are the subject of Article 3 of this Directive.

Article 3

The laws of the Member States show great disparity in respect of their disclosure requirements of accounting documents of the company on the register of the branch. While in this field some Member States require no disclosure and some require the disclosure on the register of the branch of the accounting documents of the company of which the branch forms part, others require in addition the disclosure of accounts relating the branch itself.

The starting point of the provisions of this directive is that harmonization has been effected in respect of the provisions on annual accounts by the Fourth Directive, on consolidated accounts by the Seventh Directive, and on the approval of the persons authorized to audit such accounts by the Eighth Directive.

As a result by the said directive the accounting documents drawn up and audited in compliance with these Community rules must be considered as offering equivalent protection to shareholders and third parties. Further the relevant accounts must equally be published in the register of the company pursuant to the provisions of the First Directive.¹

These disclosure requirements do not appear, however, in all aspects satisfactory in respect of the setting up of a branch in another Member State. This directive provides as a rule for the additional publication of the annual accounts and report in the register of the branch (paragraph 1). These documents are of particular interest to the creditors of the company.

By way of exception the Member States need not apply the provisions of the Fourth Directive on the content, auditing and disclosure of the annual accounts to companies which are subsidiaries.²

This is conditional in particular on the agreement of all the shareholders of the subsidiary, the guarantee by the parent of the commitments of the subsidiary and the inclusion of the subsidiary in the consolidated accounts drawn up in accordance with the Seventh Directive. In these circumstances this Directive provides for the disclosure of those consolidated accounts in the register of the branch (paragraph 2).

It is important to ensure that the Member State of the branch cannot impose any further conditions in respect of the disclosure of these accounting documents. However, the possibility must remain to require disclosure of these documents in its official language together with the certification of the translation (paragraph 3).

Article 4

This Article provides that the letters and order forms used by the branch shall state not only the register of the company (see Article 4 of the First Directive), together with the number of the company, but also the same indications in respect of the branch.

¹ Article 47 of the Fourth Directive; Article 38 of the Seventh Directive.

² Article 57 of the Fourth Directive as substituted by Article 43 of the Seventh Directive.

II — Branches of companies from third countries

Article 5

The rules governing the disclosure in respect of branches must apply in essence also to branches set up by companies from third countries, where such companies have a legal form comparable with that of a limited company falling under the First Directive. In practical terms it is impossible to define the different forms of companies in third countries. In this respect it is necessary to use the test of comparability.

Article 6

Further provisions are required in respect of the setting up of branches of companies from third countries. Such companies are not as such covered by the Community measures of harmonization. It is therefore not possible in respect of certain documents and particulars which concern the company as a whole to refer to disclosure in a register of the company. Thus it is necessary to provide for the disclosure of a series of documents and particulars in the register of the branch. These are, however, only minimum provisions given that for these companies; there is no harmonized system of disclosure as exists for the companies of the Member States.

The indents (b), (c), (d), (e) and (h) refer to disclosure of the company as such, in particular of the instrument of constitution and its memorandum and articles of association, of its legal type and the law by which it is governed. The indents (a), (f), (g), (i) and paragraph 2 correspond to the same provisions of Article 2.

Article 7

In respect of branches opened by companies of third countries disclosure is required of the annual accounts and the annual report established by these companies (paragraph 1).

It is possible that the third country does not require the drawing up of annual accounts and that only consolidated accounts are available. In this event the requirement of disclosure covers those consolidated accounts where they have been drawn up by the companies in question.

The annual or consolidated accounts referred to above are those covered by the law of the State by which the company is governed. They must be drawn up and audited in accordance with the relevant legislation of that State. However, in default of such provisions they must be in accord-

ance with the accounting principles generally accepted in that country (paragraph 3).

The Member State in which the branch was opened may require the disclosure of these accounting documents in its official language and the certification of their translation (paragraph 4).

Article 8

This provision concerns the letters and order forms used by the branch and corresponds with Article 4 of the First Directive. However, it does not require the matters required by Article 4 of the First Directive given that it does not apply to companies of third countries.

III — Transitional and final provisions

Article 9

By analogy with Article 6 of the First Directive the Member States must provide appropriate penalties in the case of breaches of the provisions of this Directive concerning disclosure.

Article 10

The Member States must determine the persons who must carry out the disclosure requirements of this Directive as has been required in respect of disclosure in respect of the company by Article 5 of the First Directive.

Article 11

The Fourth Directive on annual accounts¹ and the Seventh Directive on consolidated accounts² provide, pending subsequent coordination, for derogations in respect of banks, other financial institutions and insurance companies. It is necessary to extend these exemptions also to the present Directive in so far as they relate to the drawing up, auditing and disclosure of accounting documents on the registers of branches. For the remainder, the provisions of this Directive should apply to the branches of companies carrying on business in the fields set out above.

Article 13

The Contact Committee set up by the Fourth Directive,³ which is also responsible for matters arising in connection with the Seventh⁴ and Eighth⁵ Directives is also to cover the same field in respect of the present Directive.

¹ Article 1(2).

² Article 40.

³ Article 52.

⁴ Article 47.

⁵ Article 29.

