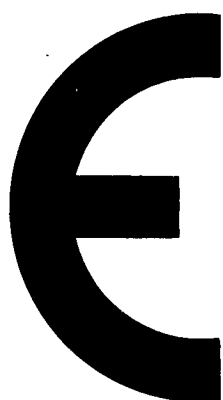


Bulletin

OF THE EUROPEAN COMMUNITIES

Commission



No 9 1986

Volume 19

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PART ONE

SPECIAL FEATURES

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References in text and footnotes

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

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

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

1. The Community's fourth environment action programme

1.1.1. On 24 September the Commission adopted for transmission to the Council a communication accompanied by a draft Resolution concerning a fourth Environment Action Programme for the Community.¹ It sets the framework for this area of Community activities from 1987 to 1992 and describes the measures to be taken. The programme marks an important new phase in Community policy, in which protection of the environment, based on the establishment of strict standards, should become an integral part of economic and social policies and — both Community and national — not just an optional extra.

A political introduction highlights the key points of the programme for the general public and the Community institutions.

1.1.2. Launched in 1972 by the Heads of State or Government,² the Community's environment policy has shown steady progress and has had strong political and public support. Under a series of action programmes³ a substantial body of environmental legislation has been put in place; principles and protective approaches have been established; and a beginning has been made with implementation.

But much still remains to be done. The natural environment is still deteriorating, both within the Community and in many other parts of the world. The earth is impoverished by ever more intensive cultivation. There are still rivers that are little better than sewers. Air pollution causes heavy damage. The quantity of waste is still growing rather than being recycled. Industrial hazards have increased. Many urban areas need drastic improvement. In short, the natural resources that are the basis of — but also set the limits to — all economic and social development are being misused. Public concern is mounting.

With the fourth environment action programme, which is to take over from the third,⁴ now coming to a close, the Community's environment policy will enter a new phase. The environment dimension is to be integrated into the Community's economic, industrial, agricultural and social policies, and preventive policies will be framed that reconcile the demands of economic and social development, protection of the natural environment, and industrial and human safety. In other words, the aim will be a new quality of develop-

ment, different from that of earlier generations, in which the environment in all its aspects will be protected. This calls for an explicit undertaking to prepare and apply high standards of protection as being both environmentally necessary and economically rational.

Past action

1.1.3. Initially, Community action for the protection of the environment focused on curing acute pollution problems. Later, awareness grew that prevention is better than cure; and, at least in the medium and long term, it is usually cheaper as well.

This led to the approach of the third environment action programme (1982-86),⁵ which aimed at anticipating environmental problems through prior assessment, and at taking action to prevent them arising by integrating environmental requirements into the planning and execution of economic activities.

Only limited progress has been made so far in giving reality to this approach.

New perceptions

1.1.4. At its meeting in March 1985, the European Council underlined that environmental protection can contribute to improved economic growth and job creation.⁶ It called in strong terms for the integration of environmental requirements as an essential component of the economic, industrial, agricultural and social policies implemented by both the Community and its Member States. Moreover — to provide a focus for such action — it designated 1987 as the European Year of the Environment.

Subsequently the European Council confirmed these new perceptions⁷ and an environment

¹ COM(86) 485 final.

² Sixth General Report, point 5, paragraph 8.

³ OJ C 112, 20.12.1973; Seventh General Report, points 258 to 264; OJ C 139, 13.6.1977; Eleventh General Report, point 279; OJ C 46, 7.2.1983; Seventeenth General Report, point 372.

⁴ OJ C 46, 17.2.1983; Seventeenth General Report, point 372.

⁵ OJ C 46, 17.2.1983.

⁶ Bull. EC 3-1985, point 1.2.5.

⁷ Bull. EC 11-1985, point 1.1.1.

chapter is included in the Single Act.¹ This Chapter spells out the objectives of Community environment action:

- (i) the preservation, protection and improvement of the quality of the environment;
- (ii) contributing to the protection of human health;
- (iii) ensuring a prudent and rational utilization of national resources.

It also lays down certain principles of environment policy — the preventive approach; action against pollution at source; the 'polluter-pays principle'; the integration of environmental requirements into other policy areas; and the balanced development of the Community's regions.

The fourth environment action programme

1.1.5. The Commission's proposals for the fourth environment action programme are based on these new perceptions and Treaty obligations.

They are based on the recognition that environmental protection needs to be taken into account as a fundamental factor when economic decisions are taken and that the establishment of strict standards for environmental protection is no longer an option but has become essential if the quality of life demanded by Community citizens is to be achieved.

As progress is made towards the completion of the Community's internal market by 1992,² many more standards will be adopted in a wide range of fields.

The Commission is convinced that the future competitiveness of Community industry, both within the Community and worldwide, will depend also upon its ability to offer environmentally friendly goods and services, achieving standards at least as high as its competitors. This is a field in which small and medium-sized enterprises in particular can contribute. An alliance between technological innovation and a commitment to high environmental standards can offer new opportunities through the development of new and growing markets and the deployment of leading-edge technologies and techniques.

The period of the fourth environment action programme therefore presents the Community with a major challenge — to make a definitive move away from reacting to environmental problems after they have arisen, towards a general preventive approach, based on high standards in all environmental sectors.

Moreover there is no doubt that, as recognized by the European Council, such an evolution can contribute to both economic growth and to job creation.

The international dimension

1.1.6. Environmental action is necessary at all levels. In some cases action at local, regional or national level is appropriate. In other cases, effective action can only be taken at international or even global levels — a fact constantly brought home to us by tragic accidents such as those at Seveso, Bhopal and Chernobyl. Pollution knows no frontiers.

The European Council had already clearly recognized this fact as long ago as 1983³ when, in expressing its concern over atmospheric pollution and forest die-back in Europe, it stressed the urgent necessity of accelerating and reinforcing action at national, Community, and international levels aimed at combating the pollution of the environment. Community environment policy thus is not and cannot be focused narrowly on the Community itself.

The Commission's proposals for the fourth environment action programme accordingly place emphasis on the need for the Community to contribute actively to necessary action at international level. Problems such as acid rain, the pollution of international rivers and of the sea, nuclear safety, the international movement of dangerous chemicals, wastes and plant, can only be tackled at this level.

The programme also underlines the Community's role in helping to tackle the daunting environmental and natural resource problems of many developing countries — including desertification, the loss of tropical forests and the explosive growth of cities. Much of the Community's development policy is focused on such problems, with a special effort being made to contribute to tackling desertification in Africa.

European Year of the Environment

1.1.7. To bring about the necessary changes so that nature's resources are managed in a spirit of trusteeship and the full internal market is encouraged to operate in an environmentally rational way, the Community must increase its awareness

¹ Supplement 2/86 — Bull. EC.

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

³ Bull. EC 6-1983, point 1.5.15.

of the need for high environmental standards. This is the central purpose of the European Year of the Environment, which will start on 21 March 1987. It offers the opportunity to launch the major transformation in attitudes and approach that will be required for the change of philosophy in the field of environmental protection spelled out in the fourth environment action programme.

Conclusion

1.1.8. The fourth environment action programme is an important part of the Community's 'Agenda for the future'.

It involves a clear commitment to strict standards as being both environmentally necessary and economically rational, not forgetting the target of completing the internal market by 1992 and the need to ensure the economic and social development of the whole Community.

Its rapid implementation will greatly enhance the quality of life. It will contribute to the achievement of a people's Europe.

It will also create real opportunities for Community industry (especially for small businesses) to contribute to economic growth and job creation.

The fourth environment action programme contains an agenda. The European Year of the Environment (EYE) in 1987 provides the launch pad and opportunity. EYE will not be just another one-off 'Year' that is soon forgotten. This is no time for empty gestures. What is needed is a major change of attitude throughout society.

The aim of the fourth programme and of EYE (its first year of implementation) is clear — to make a real contribution to the evolution of a new model of development, one that incorporates as a matter of course the quality aspects that will open up new employment prospects.

2. Organization of the steel market in 1987

1.2.1. On 26 September the Commission adopted a communication,¹ before sending it to the Council for its assent, to the ECSC Consultative Committee for its opinion and to Parliament, containing proposals on the continuation of the gradual liberalization of the quota system from 1 January 1987. The Commission proposes that the following products be removed from the quota system at the beginning of the year: wire rod, merchant bars, galvanized sheet and the products used for its manufacture and small sections.

When on 27 November 1985 the Commission decided,² with the Council's assent, to exclude reinforcing bars and coated sheet other than galvanized sheet from the quota system, it stated that before the end of 1986 it intended to ask the Council, after consulting the Consultative Committee, to agree to remove further categories from 1 January 1987.

This was the purpose of the Commission's communication.

The position of the steel market at the end of 1986 and the need to continue to exclude products from the quota system

1.2.2. Since the summer of 1985 the Community's macroeconomic situation has been profoundly changed by the decline of the dollar, falling energy and raw materials prices, lower inflation and falling interest rates. The result for steel undertakings has been a significant cut in costs, which in turn has led to major price reductions. Despite the drop in prices, which has affected all steel products whether or not they are subject to the quota system, the gap between Community prices and world prices has widened considerably, leading to a fall in Community exports and an increase in

¹ COM(86) 503.

² OJ L 340, 18.12.1985; Bull. EC 11-1985, points 2.1.23 and 2.1.24.

imports which, though substantial, are not larger than expected.

The trend is not sufficiently marked to undermine the forecasts made in 1985 for the general objectives adopted by the Commission.¹ Even if it has to some extent accelerated an inevitable process, there is no reason to suppose that the situation in 1990 will be fundamentally different from that presented here.

Market forces, which have already started to play an important part again since 1 January 1986, will alone determine the inevitable structural changes and the disappearance of remaining overcapacities when the transition period ends.

This transition period cannot be of long duration, for the downward trend in specific steel consumption in the steel-using industries will probably continue. As a result, remaining overcapacities will weigh increasingly heavily on the market — the more so as the productivity of existing plants improves.

Undertakings should therefore take advantage of the final respite before the return to free competition, and use the remaining months of the quota system to take any restructuring measures necessary to achieve a level of competitiveness that will enable them to survive beyond 1988.

The Commission also points out that the quota system is largely based on reference figures drawn from company results in the 1970s and thus reflects a situation which has little in common with the present position, regarding both demand and the production structure.

The pattern of demand has varied considerably. Some sectors, e.g. shipyards, have experienced a severe recession while others, e.g. the automotive industry, have pioneered the use of new products such as certain types of coated sheet. The result has been a major change in the structure of demand with regard to the nature, quality and specifications of the products sought.

Steel manufacturing processes, for their part, have undergone considerable technical

development which, coming on top of the crisis, has profoundly changed the structure, pattern of production and productivity of the steel undertakings.

In these circumstances the maintenance of the quota system introduces rigidities which create increasing difficulties every quarter for the sound management of undertakings to such an extent that each of them, taken individually, has requested that the rules be changed or relaxed in their favour.

This shows clearly that the quota system, which was indispensable when the drop in demand brought about the manifest crisis, is now blocking undertakings' moves towards profitability with its outdated references and rigid rules. The difficulties in adapting the system to market and technical developments are becoming increasingly apparent, and its continuation without amendment in the current situation would present major setbacks for undertakings' operations, especially as it has been in place without a break since 1980. Some degree of liberalization is therefore required.

The Commission's proposals

1.2.3. The Commission proposes that wire rod, merchant bars, galvanized sheet and products used for its manufacture and small sections should be removed from the quota system.

The first step should be to remove light long products, like wire rod and merchant bars, from the quota system. In October 1985 the Council gave its assent only for reinforcing bars² although the Commission had proposed³ taking wire rod out of the quota system and stated that merchant bars ought to be excluded. The arguments adduced by the Commission in 1985 are still valid: there has been a major structural development in the long products sector in recent years that has gradually transferred the major part of ordinary grades pro-

¹ OJ C 239, 20.9.1985; Bull. EC 7/8-1985, point 2.1.27.

² Bull. EC 10-1985, points 1.2.1 and 1.2.2.

³ Bull. EC 9-1985, points 2.1.18 to 2.1.20.

duction from integrated steelworks to electric steelworks. By their very structure, the latter are capable of adjusting to an early return to an open market economy.

With regard to flat products, the Commission feels that galvanized sheet should be taken out of the quota system as proposed in 1985, since there is very little excess capacity in this sector, which is characterized by competition with other coated products that have already been liberalized, and there is rapid technological development in this area. As a result, in order to avoid unfair competition to the detriment of galvanized sheet, the Commission's intention is to relax controls on this category significantly, as a preliminary to its total liberalization. Products used for the manufacture of coated sheet should also be excluded from the quota system so as to ensure fair competition between integrated undertakings and coating companies.

Finally, the Commission proposes to liberalize those small sections which are still included in the heavy sections category, which remains subject to quotas.

The Commission is aware that most small and medium-sized undertakings manufacturing small sections suffer from the very strict quotas imposed because of the stagnation of the market for large sections. These businesses, whose products are sometimes in competition with certain types of merchant bar which the Commission would like to exclude from the quota system, are demanding that these small sections be taken out of the system.

Far from being a symbolic measure, liberalization of these three categories will affect about one-third of the products still subject to quotas, thus reducing the volume of products still under the system to about 45% of total Community production.

Spain and Portugal should be regarded as special cases since the Act of Accession stipulates that these new Member States are to be subject to a special arrangement with regard to steel.

Conclusions

1.2.4. In presenting this communication, the Commission is resolved to exercise to the full its responsibilities under the ECSC Treaty.

It wishes to give back, in stages, to undertakings the responsibilities they would normally assume in a situation of open competition, as this should prove the necessary stimulus for a speedy return to profitability. At the same time, however, the Commission is actively concerned to prevent a collapse of the market and the serious social consequences that would result. This is why the Commission continues to recommend an orderly return to a market economy and the continuation of a less strict quota system in 1987.

Conscious of the inevitable social and regional repercussions, the Commission maintains its request that the Council allocate to the ECSC operating budget the funds required for the implementation of the 1983-86 social measures.¹

Moreover, the Commission draws attention to its proposed action programme aimed at reinforcing Community structural measures in steel areas.²

The Commission also intends to propose to the Council the extension for 1987 of the arrangements concluded with the main non-Community countries exporting steel products to the Community and to continue publishing regularly updated basic import prices.

By resolutely continuing the process of liberalization of the steel market begun on 1 January 1986, the Community institutions will give the industry a fresh signal and a clear warning: the crisis measures are being phased out, and undertakings that have dragged their feet will not be able to put off any longer the structural changes they must make in order to be competitive.

¹ Bull. EC 4-1983, point 2.3.7; Bull. EC 7/8-1985, point 2.1.85; Bull. EC 6-1986, point 2.1.33.

² Bull. EC 7/8-1986, point 2.1.29.

3. Signing of the first IMP for Crete

1.3.1. On 2 September the programme contract between Greece and the Commission on implementation of the integrated Mediterranean programme (IMP) for Crete was signed in Iraklio, Crete. This IMP was the first to be received and its definitive version was adopted by the Commission on 29 July.¹ The signing of the programme contract marked the end of an examination procedure that started as soon as the Greek authorities had submitted the IMP for Crete to the Commission by letters dated 7 October and 13 November 1985.²

The cost of the seven-year programme is put at a total of 470 million ECU, with 33% going to industry, 25% to the primary sector, 23% to regional infrastructure, 10% to tourism and 8% to inland areas; implementation costs represent 1%.

The Community budget will contribute about 240 million ECU, with 102.5 million ECU coming from the specific heading for the IMPs. An additional 130 million ECU or so is to be provided in the form of Community loans.³

In the programme contract, Greece and the Commission have agreed on joint action to guarantee smooth implementation of the entire IMP for Crete. The purpose is to ensure the effectiveness of the measures taken and arrange for coordination with the bodies representing the beneficiaries and between all the administrations concerned, appropriate management of national and Community aid from budgetary resources, reliable and readily available information for the contracting parties, and compliance with Community policies.

On the occasion of the signing, Mr Grigoris Varfis, Commission member responsible for coordination of structural instruments, and Mr Kostas Simitis, Greek Minister for Economic Affairs, made the following statements:

Statement by Mr Varfis

1.3.2. '... The importance of the IMP is all the greater since with today's signing we are initiating

a new method, a new policy, for the development of the least-developed regions of the Community. We are expecting and hoping for a great deal from this policy...

To begin with, the integrated Mediterranean programmes were proposed as a means of coping with the consequences of the accession of Portugal and Spain, especially for agriculture in the other Mediterranean countries.

They were then reshaped so as to provide answers to many of the questions raised in the Greek Memorandum, which sought to create the necessary conditions for the normal development of the Greek economy within the Community context.

Today they have now also become the new policy I just mentioned, which aims to contribute to the economic and social cohesion of the Community, an objective which is expressly mentioned in the recent revision of the Treaty of Rome ...

Greece has received quite special treatment compared with the other two countries concerned, Italy and France. In particular, I would remind you that the IMPs are not confined to certain regions but cover the whole of Greece, including Athens, which had been left outside the scope of the structural Funds.

Second, nearly 50% of all IMP assistance is destined for Greece, i.e. some DR 270 000 million up to 1991. Third, particularly in the case of Greece, a higher proportion of Community budget funding is planned for operations and projects forming part of the IMPs...

This quantitative aspect is, of course, important and essential, but it is not the decisive feature.... The new policy brings an important qualitative change in the way in which problems in the less-developed regions are tackled. I shall refer briefly to some aspects of this policy.

First, the IMPs are no longer confined mainly to agriculture. Funding is provided for infrastructure projects, directly productive investment in industry, tourism, research, cultural projects, vocational training and retraining...

Second, IMP financing is not for isolated projects but for mutually consistent multiannual programmes....

Third, the programmes are not abstract models applied artificially to a particular region but are

¹ Bull. EC 7/8-1986, point 2.1.130.

² Bull. EC 11-1985, point 2.1.103.

³ Bull. EC 6-1986, point 2.1.142.

in response to the needs and potential of the region concerned, account being taken of its history and its distinctive features.

Fourth, they are not inflexible programmes but constitute a versatile framework which is adapted in line with the opportunities for investment and with the experience gained during implementation. I should like to stress here the strategic role played by the development of small businesses...

Fifth, the IMPs are realistic programmes, as is underscored by the fact that serious account is taken of the weaknesses which exist either on the financing side or in the administrative set-up...

I have left to the last one of the most important features of the IMPs, not only because it flows from the points I have mentioned but also because it is a basic condition of the success of the programmes. I am referring to the participation of the various State and private-sector bodies, both regional and local, and to the participation of producers, cooperatives and the people of Crete in pursuing, implementing, adapting and enriching the programme with creative initiatives. ...'

Statement by Mr Kostas Simitis

1.3.3. After reviewing relations between Greece and the Community since accession,

Mr Kostas Simitis, Greek Minister for Economic Affairs, underscored the importance of the challenge now facing his government.

'... We must set new targets for industry and agriculture, improve the way in which goods are produced and distributed, increase the efficiency of the productive system, notably by aiming for higher quality, and apply new technologies. Our response to the major challenge we are facing will be crucial to our internal economic dynamism, which is a guarantee of independence, but also of effectiveness, in all areas of policy. We must make this effort at once, with consistency and purpose. The IMPs are one of the instruments that the Greek Government has secured with a view to taking up this challenge...

Implementation of the first integrated Mediterranean programme, which we are signing today, will make it possible:

- (i) for the Community to show that it intends to pursue a policy of convergence of Member States' economies and to bridge the gap between its northern and southern regions;
- (ii) for Greece to show that it intends to promote and apply a policy which will put it on a path of dynamic and balanced development;
- (iii) for Crete to show that it can be a trail-blazer for a regional policy under which the local authorities have important responsibilities...'

4. Launching of a new round of GATT trade negotiations in Punta del Este

1.4.1. After a week of intense discussions the ministers of the 92 nations taking part in the Punta del Este Conference (from 15 to 20 September) decided to launch a new round of multilateral trade negotiations, to be called the Uruguay Round, following on from the Tokyo Round.¹ The Conference was chaired by Mr Enrique Iglesias, the Uruguayan Foreign Minister. The Community was represented by Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy.

The difficulties which had long been a stumbling block during the preparatory work² were ironed out in a consensus true to the best GATT traditions. The mutual concessions granted by the main protagonists enabled a balance to be struck which was acceptable to all concerned.

¹ Thirteenth General Report, points 494 and 495.

² Bull. EC 2-1986, point 2.2.1; Bull. EC 4-1986, point 2.2.1; Bull. EC 5-1986, points 2.2.1 to 2.2.7; Bull. EC 6-1986, points 2.2.2 and 2.2.3.

The Punta del Este declaration lays down the objectives, scope and organization of the new negotiating round. 'Traditional' issues, such as tariff and non-tariff barriers, will be discussed and the delicate subject of agriculture will be tackled with a view to sorting out the situation of world agricultural trade. The discussions on this item were particularly intense, notably on the question of aid. The Community successfully made the point that all measures affecting this sector should be taken into consideration and not just export subsidies.

The most striking innovation in this new round is the inclusion of new subjects: trade in services, which will be a key aspect of the negotiations, intellectual property and trade-related investment measures.

The negotiations will be supervised by the Trade Negotiations Committee and will be split into goods and services. Subgroups will be set up to study specific topics.

The Trade Negotiations Committee is to meet by 31 October and is to draw up a negotiating plan by 19 December. The negotiations are expected to last for four years.

Speech delivered by Mr Willy De Clercq on 16 September

1.4.2. 'Punta del Este is today the focus of world attention. The international economic situation is a continuing source of concern. Economic recovery is not assured. Monetary and financial problems are tending to get more serious. Protectionism is still rife. This situation is particularly affecting the developing countries.

It is not up to trade policy makers to redress imbalances originating in other fields, such as the macroeconomic, monetary and financial. Nevertheless, parallel action must be taken in these areas, in order to improve the international economic environment. While some progress has already been achieved in this direction, a great deal still remains to be done.

In the field for which we have responsibility, namely trade, revival of the world economy calls for vigorous and sustained action to boost international trade. A new and ambitious round of

multilateral negotiations is therefore essential. It is our responsibility to produce over the next few days a joint message of confidence and encouragement to the international community at large. The stakes are high. Let us therefore, together, take decisions which will enable the prosperity and well-being of our society to be assured at the threshold of the third millennium.

The Community is aware of its responsibilities and is participating in this meeting with the firm intention of successfully crowning it with the launching of the New Round.

...

The Community's objectives are the consolidation, strengthening and adaptation of the multilateral trading system and the expansion of international trade.

The Community considers that standstill must be respected by all Contracting Parties throughout the duration of these negotiations, as an essential precondition for their success. A firm commitment is required here. The Community is also prepared to take part in a collective and fairly shared political undertaking to dismantle measures which are incompatible with standard GATT rules and which hamper or distort trade.

As regards agriculture, the continuing disarray of world markets, reflected in an imbalance between supply and solvent demand, is now such that, for order to be restored, excess production must be tackled, stocks pressuring the market eliminated in a concerted manner, and world trade rules strengthened within the framework of the General Agreement.

If they are to succeed, the negotiations will need to cover in a balanced way all aspects of trade in agricultural products without, however, overemphasizing any one such aspect. Similarly, these negotiations cannot overlook the—acknowledged—specific features and problems of the agricultural sector. The Community naturally intends to ensure that the negotiations do not place in question the fundamental aims and mechanisms of its own agricultural policy. Also, the interdependence of problems and the multiplicity of methods of intervention in this sector manifestly call for the negotiations on agriculture to be handled by a single group which will be clearly and undeniably responsible for their conduct and successful conclusion.

A further Community objective is to bring the GATT into line with present and future realities. The launching of this New Round is not conceivable without taking into account the significant changes which are taking and will take place in the trading environment. The GATT too must "change" and, in so doing, cover "non-tra-

ditional" issues, by which I mean trade in services, intellectual property and the trade aspects of investment.

The level of international trade in services stands at one quarter of the level of trade in goods; services today constitute one of the most dynamic features of the world economy.

It is, in our view, essential to negotiate a multilateral framework of principles and rules and to devise—as far as possible and having regard to the particular features of the various services—specific disciplines by sector or group of sectors. The aim must be to increase transparency and to liberalize trade.

The absence of adequate protection in the case of intellectual property has led to considerable distortions in trade in certain sectors. The GATT can and must act in parallel with other institutions in framing principles and rules relating to the trade aspects of intellectual property. Our aim in this area, as in the area of investment, must be to create a favourable, dynamic climate which will give a fresh boost to the world economy.

These three issues must form an integral part of the negotiations. The Community therefore approves in its entirety the text of W/47 rev. 2 relating to them.¹

One of the aims which that draft establishes is to ensure the mutual advantage of, and to bring increased benefits to, all participants. As far as the Community is concerned, the text fails to dispel existing ambiguities. It feels that many of the present tensions affecting world trade find their origin in the fact that concessions negotiated between the various Contracting Parties have in reality not resulted in effective reciprocity. It is therefore essential that the Ministerial Declaration should establish the objective of achieving a genuine balance in the benefits accruing to the Contracting Parties from the GATT.

At the beginning of my statement I addressed some of the problems facing the developing countries. I should like to conclude by repeating that the Community intends to continue to pay particular attention to the specific and legitimate needs of the less-developed countries. In that connection, it does not intend to place in question the principle of special and differential treatment for developing countries. Account will of course have to be taken of the substantial economic progress of some of these countries, since this principle needs by definition to be applied in an evolutionary way...

Statement by Mr Enrique Iglesias, Chairman of the Conference

1.4.3. Before proposing adoption of the Ministerial Declaration on the Uruguay

Round, the Chairman noted that the purpose of the Declaration was to launch multilateral trade negotiations on goods and services. This involved taking three decisions: the first would be to adopt, as the Contracting Parties, Part I of the Declaration, relating to negotiations on trade in goods; the second would be to adopt Part II, on trade in services, as representatives of governments meeting on the occasion of the Special Session of the Contracting Parties at Punta del Este; thirdly, again as representatives of governments meeting on the occasion of the Special Session of the Contracting Parties at Punta del Este, to adopt the Declaration as a whole.

He then made the following specific points:

Representatives of certain governments had expressed concern regarding a number of problems relating, in particular, to commodities, natural resource-based products and tropical products. Those governments were concerned that solutions to their problems be found and implemented quickly. Specific proposals had been put forward by certain African governments in MIN(86)/W/18. While he was sure that this conference attached great importance to those concerns, it had not been possible to complete consideration of the proposals at the conference. It had, therefore, been agreed that the proposals would be considered by the Trade Negotiations Committee foreseen in the Declaration.

In order to participate fully in the negotiations, developing countries would require technical support. There was agreement that technical support by the Secretariat, adequately strengthened, should be available to developing countries participating in the negotiations.

Some governments had expressed concern over trade measures applied for non-economic reasons.

He then summarized discussions that had taken place on the objectives of the negotiations:

¹ Draft Ministerial Declaration submitted to the Preparatory Committee by Switzerland and Colombia.

(i) There had been a proposal to include, among the objectives of the negotiations, that of redressing growing disequilibria in world trade and of achieving, in the spirit of the Preamble to the General Agreement, a greater mutuality of interests.

(ii) However, it had been represented that the foregoing proposal might lead to a trading system incompatible with the basic objectives and principles of GATT, the guarantor of the open and non-discriminatory trading system.

(iii) Nevertheless, it was common ground that growing disequilibria in world trade constituted a serious problem and would need to be tackled by the countries concerned by various policy means including macroeconomic policy, exchange rates, structural reform and trade policy.

(iv) It was furthermore agreed that in the negotiations every contracting party should make genuine efforts to ensure mutual advantages and increased benefits to all participants, in accordance with the principles of the GATT.

Some proposals had been received regarding the setting up of negotiating groups for the negotiations. These proposals would be formally circulated after the session.

He noted that there were certain issues raised by delegations on which a consensus to negotiate could not be reached at this time. These issues included the export of hazardous substances, commodity arrangements, restrictive business practices and workers' rights.

He then clarified that it was understood that paragraph F(b) was interpreted as meaning that (a) all participants in the multilateral trade negotiations have the right to participate in all negotiations on all issues and that (b) non-contracting parties shall only be precluded from participation in decisions of contracting parties relating to the results of these negotiations.

The conference had noted requests by certain governments, not at present covered by the provisions in the Declaration on participation, to take part in the multilateral

trade negotiations. The Director-General was authorized, upon request by such governments, to keep them informed of progress in the negotiations.

No delegation present would see in the Declaration all the points that it wished to be included when this meeting had opened. Many of the specific concerns of delegations would have to be pursued in the negotiations themselves, and this was as it should be.

The Contracting Parties adopted Part 1 of the Declaration.

Delegations made statements.¹

The Chairman then addressed participants as representatives of governments meeting on the occasion of the Special Session of the Contracting Parties at Punta del Este.

He stated that a number of the agreed points that he had read out before the adoption of Part I of the Declaration also applied to Part II.

The representatives of governments meeting on the occasion of the Special Session of the Contracting Parties at Punta del Este adopted Part II of the Declaration.

These representatives then adopted the Declaration as a whole as a single political undertaking launching the Uruguay Round.

Delegations made statements.¹

Ministerial Declaration on the Uruguay Round

1.4.4. The Ministers, meeting on the occasion of the Special Session of the Contracting Parties at Punta del Este, have decided to launch Multilateral Trade negotiations (the Uruguay Round). To this end, they have adopted the following Declaration. The multilateral trade negotiations (MTN) will be open to the participation of countries as indicated in Parts I and II of this Declaration. A Trade Negotiations Committee (TNC) is established to carry out the negotiations. The Trade Negotiations Committee shall hold its first meeting not later than 31 October 1986. It shall meet as appropriate

¹ Reflected in the summary records.

at Ministerial level. The multilateral trade negotiations will be concluded within four years.

Part I

Negotiations on trade in goods

The Contracting Parties meeting at ministerial level

determined to halt and reverse protectionism and to remove distortions to trade;

determined also to preserve the basic principles and to further the objectives of the GATT;

determined also to develop a more open, viable and durable multilateral trading system;

convinced that such action would promote growth and development;

mindful of the negative effects of prolonged financial and monetary instability in the world economy, the indebtedness of a large number of less-developed contracting parties, and considering the linkage between trade, money, finance and development;

decide to enter into multilateral trade negotiations on trade in goods within the framework and under the aegis of the General Agreement on Tariffs and Trade.

A. Objectives

Negotiations shall aim to:

(i) bring about further liberalization and expansion of world trade to the benefit of all countries, especially less-developed contracting parties, including the improvement of access to markets by the reduction and elimination of tariffs, quantitative restrictions and other non-tariff measures and obstacles;

(ii) strengthen the role of GATT, improve the multilateral trading system based on the principles and rules of the GATT and bring about a wider coverage of world trade under agreed, effective and enforceable multilateral disciplines;

(iii) increase the responsiveness of the GATT system to the evolving international economic environment, through facilitating necessary structural adjustment, enhancing the relationship of the GATT with the relevant international organizations and taking account of changes in trade patterns and prospects, including the growing importance of trade in high-technology products, serious difficulties in commodity markets and the

importance of an improved trading environment providing, *inter alia*, for the ability of indebted countries to meet their financial obligations;

(iv) foster concurrent cooperative action at the national and international levels to strengthen the interrelationship between trade policies and other economic policies affecting growth and development, and to contribute towards continued, effective and determined efforts to improve the functioning of the international monetary system and the flow of financial and real investment resources to developing countries.

B. General principles governing negotiations

(i) Negotiations shall be conducted in a transparent manner, and consistent with the objectives and commitments agreed in this Declaration and with the principles of the General Agreement in order to ensure mutual advantage and increased benefits to all participants.

(ii) The launching, the conduct and the implementation of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis by agreement prior to the formal conclusion of the negotiations. Early agreements shall be taken into account in assessing the overall balance of the negotiations.

(iii) Balanced concessions should be sought within broad trading areas and subjects to be negotiated in order to avoid unwarranted cross-sectoral demands.

(iv) Contracting Parties agree that the principle of differential and more favourable treatment embodied in Part IV and other relevant provisions of the General Agreement and in the Decision of the Contracting Parties of 28 November 1979 on differential and more favourable treatment, reciprocity and fuller participation of developing countries applies to the negotiations. In the implementation of standstill and rollback, particular care should be given to avoiding disruptive effects on the trade of less-developed contracting parties.

(v) The developed countries do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of developing countries, i.e. the developed countries do not expect the developing countries, in the course of trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. Developed contracting parties shall there-

fore not seek, neither shall less-developed contracting parties be required to make, concessions that are inconsistent with the latter's development, financial and trade needs.

(vi) Less-developed contracting parties expect that their capacity to make contributions or negotiated concessions or take other mutually agreed action under the provisions and procedures of the General Agreement would improve with the progressive development of their economies and improvement in their trade situation and they would accordingly expect to participate more fully in the framework of rights and obligations under the General Agreement.

(vii) Special attention shall be given to the particular situation and problems of the least-developed countries and to the need to encourage positive measures to facilitate expansion of their trading opportunities. Expeditious implementation of the relevant provisions of the 1982 Ministerial Declaration concerning the least-developed countries shall also be given appropriate attention.

C. Standstill and rollback

Commencing immediately and continuing until the formal completion of the negotiations, each participant agrees to apply the following commitments:

Standstill

(i) not to take any trade restrictive or distorting measure inconsistent with the provisions of the General Agreement or the instruments negotiated within the framework of GATT or under its auspices;

(ii) not to take any trade restrictive or distorting measure in the legitimate exercise of its GATT rights, that would go beyond that which is necessary to remedy specific situations, as provided for in the General Agreement and the instruments referred to in (i) above;

(iii) not to take any trade measures in such a manner as to improve its negotiating positions.

Rollback

(i) that all trade restrictive or distorting measures inconsistent with the provisions of the General Agreement or instruments negotiated within the framework of GATT or under its auspices, shall be phased out or brought into conformity within an agreed timeframe not later than by the date of

the formal completion of the negotiations, taking into account multilateral agreements, undertakings and understandings, including strengthened rules and disciplines, reached in pursuance of the objectives of the negotiations;

(ii) there shall be progressive implementation of this commitment on an equitable basis in consultations among participants concerned, including all affected participants. This commitment shall take account of the concerns expressed by any participant about measures directly affecting its trade interests;

(iii) there shall be no GATT concessions requested for the elimination of these measures.

Surveillance of standstill and rollback

Each participant agrees that the implementation of these commitments on standstill and rollback shall be subject to multilateral surveillance so as to ensure that these commitments are being met. The Trade Negotiations Committee will decide on the appropriate mechanisms to carry out the surveillance, including periodic reviews and evaluations. Any participant may bring to the attention of the appropriate surveillance mechanism any actions or omissions it believes to be relevant to the fulfilment of these commitments. These notifications should be addressed to the GATT secretariat which may also provide further relevant information.

D. Subjects for negotiations

Tariffs

Negotiations shall aim, by appropriate methods, to reduce or, as appropriate, eliminate tariffs including the reduction or elimination of high tariffs and tariff escalation. Emphasis shall be given to the expansion of the scope of tariff concessions among all participants.

Non-tariff measures

Negotiations shall aim to reduce or eliminate non-tariff measures, including quantitative restrictions, without prejudice to any action to be taken in fulfilment of the rollback commitments.

Tropical products

Negotiations shall aim at the fullest liberalization of trade in tropical products, including in their

processed and semi-processed forms and shall cover both tariff and all non-tariff measures affecting trade in these products.

Contracting Parties recognize the importance of trade in tropical products to a large number of less-developed contracting parties and agree that negotiations in this area shall receive special attention, including the timing of the negotiations and the implementation of the results as provided for in B (ii).

Natural-resource-based products

Negotiations shall aim to achieve the fullest liberalization of trade in natural-resource-based products, including in their processed and semi-processed forms. The negotiations shall aim to reduce or eliminate tariff and non-tariff measures, including tariff escalation.

Textiles and clothing

Negotiations in the area of textiles and clothing shall aim to formulate modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization of trade.

Agriculture

Contracting Parties agree that there is an urgent need to bring more discipline and predictability to world agricultural trade by correcting and preventing restrictions and distortions including those related to structural surpluses so as to reduce the uncertainty, imbalances and instability in world agricultural markets.

Negotiations shall aim to achieve greater liberalization of trade in agriculture and bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines, taking into account the general principles governing the negotiations, by:

- (i) improving market access through, *inter alia*, the reduction of import barriers;
- (ii) improving the competitive environment by increasing discipline on the use of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade, including the phased reduction of their negative effects and dealing with their causes;

(iii) minimizing the adverse effects that sanitary and phytosanitary regulations and barriers can have on trade in agriculture, taking into account the relevant international agreements.

In order to achieve the above objectives, the negotiating group having primary responsibility for all aspects of agriculture will use the Recommendations adopted by the Contracting Parties at their 40th session, which were developed in accordance with the GATT 1982 ministerial programme and take account of the approaches suggested in the work of the Committee on Trade in Agriculture without prejudice to other alternatives that might achieve the objectives of the negotiations.

GATT articles

Participants shall review existing GATT articles, provisions and disciplines as requested by interested contracting parties, and, as appropriate, undertake negotiations.

Safeguards

(i) A comprehensive agreement on safeguards is of particular importance to the strengthening of the GATT system and to progress in the MTNs.

(ii) The agreement on safeguards:

- shall be based on the basic principles of the General Agreement;
- shall contain, *inter alia*, the following elements: transparency, coverage, objective criteria for action including the concept of serious injury or threat thereof, temporary nature, degressivity and structural adjustment, compensation and retaliation, notifications, consultation, multilateral surveillance and dispute settlement; and
- shall clarify and reinforce the disciplines of the General Agreement and should apply to all contracting parties.

MTN agreements and arrangements

Negotiations shall aim to improve, clarify, or expand, as appropriate, agreements and arrangements negotiated in the Tokyo Round of multilateral negotiations.

Subsidies and countervailing measures

Negotiations on subsidies and countervailing measures shall be based on a review of Articles VI and XVI and the MTN agreement on subsidies

and countervailing measures with the objective of improving GATT disciplines relating to all subsidies and countervailing measures that affect international trade. A negotiating group will be established to deal with these issues.

Dispute settlement

In order to ensure prompt and effective resolution of disputes to the benefit of all contracting parties, negotiations shall aim to improve and strengthen the rules and the procedures of the dispute settlement process, while recognizing the contribution that would be made by more effective and enforceable GATT rules and disciplines. Negotiations shall include the development of adequate arrangements for overseeing and monitoring of the procedures that would facilitate compliance with adopted recommendations.

Trade-related aspects of intellectual property rights, including trade in counterfeit goods

In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines.

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.

These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.

Trade-related investment measures

Following an examination of the operation of GATT articles related to the trade restrictive and distorting effects of investment measures, negotiations should elaborate, as appropriate, further provisions that may be necessary to avoid such adverse effects on trade.

E. Functioning of the GATT system

Negotiations shall aim to develop understandings and arrangements:

(i) to enhance the surveillance in the GATT to enable regular monitoring of trade policies and practices of contracting parties and their impact on the functioning of the multilateral trading system;

(ii) to improve the overall effectiveness and decision-making of the GATT as an institution, including, *inter alia*, through involvement of Ministers;

(iii) to increase the contribution of the GATT to achieving greater coherence in global economic policy-making through strengthening its relationship with other international organizations responsible for monetary and financial matters.

F. Participation

(a) Negotiations will be open to:

(1) all contracting parties;

(2) countries having acceded provisionally;

(3) countries applying the GATT on a *de facto* basis having announced, not later than 30 April 1987, their intention to accede to the GATT and to participate in the negotiations;

(4) countries that have already informed the Contracting Parties, at a regular meeting of the Council of Representatives, of their intention to negotiate the terms of their membership as a contracting party; and

(5) developing countries that have, by 30 April 1987, initiated procedures for accession to the GATT, with the intention of negotiating the terms of their accession during the course of the negotiations.

(b) Participation in negotiations relating to the amendment or application of GATT provisions or the negotiation of new provisions will, however, be open only to contracting parties.

G. Organization of the negotiations

A Group of Negotiations on Goods (GNG) is established to carry out the programme of negotiations contained in this part of the Declaration. The GNG shall, *inter alia*:

(i) elaborate and put into effect detailed trade negotiating plans prior to 19 December 1986;

(ii) designate the appropriate mechanism for surveillance of commitments to standstill and roll-back;

(iii) establish negotiating groups as required. Because of the interrelationship of some issues and taking fully into account the general principles governing the negotiations as stated in B (iii) above

it is recognized that aspects of one issue may be discussed in more than one negotiating group. Therefore each negotiating group should as required take into account relevant aspects emerging in other groups;

(iv) also decide upon inclusion of additional subject matters in the negotiations;

(v) coordinate the work of the negotiating groups and supervise the progress of the negotiations. As a guideline not more than two negotiating groups should meet at the same time;

(vi) the GNG shall report to the Trade Negotiations Committee.

In order to ensure effective application of differential and more favourable treatment the GNG shall, before the formal completion of the negotiations, conduct an evaluation of the results attained therein in terms of the objectives and the general principles governing negotiations as set out in the Declaration, taking into account all issues of interest to less-developed contracting parties.

Part II

Negotiations on trade in services

Ministers, also decided, as part of the multilateral trade negotiations, to launch negotiations on trade in services.


Negotiations in this area shall aim to establish a multilateral framework of principles and rules for trade in services, including elaboration of possible disciplines for individual sectors, with a view to expansion of such trade under conditions of transparency and progressive liberalization and as a means of promoting economic growth of all trading partners and the development of developing countries. Such framework shall respect the policy objectives of national laws and regulations applying to services and shall take into account the work of relevant international organizations.

GATT procedures and practices shall apply to these negotiations. A Group on Negotiations on Services is established to deal with these matters. Participation in the negotiations under this part of the Declaration will be open to the same countries as under Part I. GATT secretariat support will be provided, with technical support from other organizations as decided by the Group on Negotiations on Services.

The Group on Negotiations on Services shall report to the Trade Negotiations Committee.

Implementation of results under Parts I and II

When the results of the multilateral trade negotiations in all areas have been established, ministers meeting also on the occasion of a special session of contracting parties shall decide regarding the international implementation of the respective results.



PART TWO

ACTIVITIES
IN SEPTEMBER 1986

1. Building the Community

Economic and monetary policy

(14.9% and 19.4%) fell or remained fairly stable.

Community borrowings

The eligibility decisions already taken by the Commission are at present sufficient to use up all the resources authorized under the NCI. This being so, the continuity of NCI activities could be seriously jeopardized unless the Council takes further decisions to authorize additional tranches. The Commission has already proposed two further tranches: the third sub-tranche of NCI III, amounting to 100 million ECU,⁵ and an NCI IV, amounting to 1 500 million ECU.⁶ The NCI IV proposal, which covers solely investment projects by small and medium-sized firms in industry and the other productive sectors, has already been approved by Parliament⁷ and the Economic and Social Committee,⁸ but the Council has not yet adopted it.

Six-monthly report

2.1.1. In accordance with the Council Decision of 19 April 1983 empowering it to contract loans under the new Community instrument (NCI),¹ the Commission transmitted to the Council and to Parliament on 29 September its sixth six-monthly report on the rate of utilization of NCI tranches (1 January to 30 June 1986).²

With the borrowings authorized for ordinary operations under NCI I,³ II⁴ and III¹ and for exceptional aid to regions in Italy and Greece committed in full, the position with regard to NCI tranches still being drawn down was as follows at the end of June:

(i) 2 423 million ECU of loans have been signed under NCI III, the figure rising to around 2 900 million ECU if eligible operations are added;

(ii) the geographical breakdown of loans signed reveals a clear preponderance of operations in Italy (45% of current total of NCI III loans) and, to a lesser extent, in France (33%). However, whereas the share of operations in Italy has been fairly constant in successive NCI tranches, the share of operations in France has shown a definite increase, mainly because of demand from small and medium-sized firms;

(iii) taking total loans signed for ordinary operations, there was an increasing shift in lending towards the productive sectors, in line with the priorities laid down for NCI III¹ to assist SMEs, which had already absorbed 64.9% and 77.5% of the loans signed under the two NCI III tranches. In contrast, the proportion of loans signed under NCI III for the energy sector (20.2% and 3.1%) and the infrastructure sector

Monetary Committee

2.1.2. The Monetary Committee held its 326th meeting in Brussels on 10 September with Mr Tietmeyer in the chair. Among the items discussed were a draft statement to be made on behalf of the Community by the current President of the Council at the annual meetings of the IMF and the World Bank (→ points 2.1.4 and 2.1.5), and a programme for strengthening the EMS.

Monetary meetings in connection with the annual meeting of the IMF

2.1.3. From 27 to 29 September, Washington DC was host to meetings of the Group

¹ OJ L 112, 28.4.1983; Bull. EC 4-1983, point 2.1.8.

² COM(86) 496 final. Fifth report: Bull. EC 4-1986, point 2.1.3.

³ OJ L 298, 25.10.1978.

⁴ OJ L 78, 24.3.1982.

⁵ OJ C 178, 5.7.1983; Bull. EC 6-1983, point 2.1.44; OJ C 40, 15.2.1984; Bull. EC 1-1984, point 2.1.25.

⁶ OJ C 163, 3.7.1985; Bull. EC 5-1985, point 2.1.3.

⁷ OJ C 301, 25.11.1985; Bull. EC 10-1985, point 2.1.6.

⁸ OJ L 303, 25.11.1985; Bull. EC 9-1985, point 2.5.23.

of 10¹ (now 11 since Switzerland became a full member), the IMF Interim Committee² and the World Bank/IMF Development Committee,³ at which the Community was represented by Mr Nigel Lawson, President of the Council, and Mr Abel Matutes, Member of the Commission.

2.1.4. Mr Matutes told the Interim Committee that the Commission advocated further improvement in the coordination of economic policies between industrialized countries. This was necessary to foster sustained economic growth and to reduce still excessive current-account imbalances. In addition, steady growth in world trade was necessary to help developing countries cope with their debt problems.⁴ The Commission took the view, therefore, that multi-lateral surveillance should be strengthened by more systematic use of quantitative indicators, which would help identify inconsistent policies and lead to corrective action. It thus welcomed the Interim Committee's decision to endorse the Community proposal to continue the IMF's enlarged-access policy and to retain the present access limits to the Fund's resources. It urged that, in due course, the international financial institutions be given the financial means necessary to promote effective growth-oriented adjustment.

2.1.5. On the basis of a report on the world economic outlook from the IMF's Managing Director, the Development Committee discussed the economic difficulties currently facing the heavily indebted middle-income countries and the low-income countries. It agreed that efforts to promote economic adjustment and international economic coordination and financial flows must be stepped up. It also called for a substantial general capital increase for the World Bank should quality lending materialize as expected. Recognizing the importance of official development assistance to low-income countries, it encouraged all parties contributing to the IDA⁵ to finalize the replenishment agreement for an IDA 8 of USD 12 000 million or more and asked that industrialized countries exert

their best efforts to close the estimated USD 2 500 million annual gap in concessional flows to sub-Saharan Africa.

2.1.6. On 24 September, in line with the decision taken on 16 September at a political cooperation meeting of Foreign Ministers (→ point 2.4.2), the Commission, acting under Article 235 of the Treaty sent the Council a proposal for a Directive suspending with effect from 27 September new direct investment in the Republic of South Africa by residents of the Community.⁶

Internal market and industrial affairs

Free movement of persons and freedom to provide services

Mutual recognition of diplomas and access to occupations

Veterinary surgeons

2.1.7. At its meeting on 9 and 10 September, the Advisory Committee on Veterinary Training discussed the programme of site visits to veterinary schools produced following the report it adopted at its meeting on 12 and 13 February 1985.⁷ It heard addresses on the Erasmus programme,⁸ veterinary teaching in the United Kingdom

¹ The Group of 10 meetings are attended by ministers and central bank governors from the United States, Japan, Canada, Belgium, France, the Federal Republic of Germany, Italy, the Netherlands, the United Kingdom, Sweden and Switzerland.

² The Interim Committee is an advisory body to the IMF's Board of Governors.

³ The Development Committee is an advisory body to the Boards of Governors of the World Bank and the IMF.

⁴ Bull. EC 4-1986, point 2.1.5.

⁵ International Development Association, an affiliate of the World Bank.

⁶ COM(86) 522 final.

⁷ Bull. EC 2-1985, point 2.1.6.

⁸ OJ C 73, 2,4,1986; Bull. EC 1-1986, point 2.1.63.

and Spain and continuing education in Member States.

2.1.8. At its meeting on 11 September, the *Ad hoc* Group of Senior Officials Responsible for the Free Movement of Veterinary Surgeons exchanged information about measures taken to apply the veterinary directives¹ in the enlarged Community and discussed other matters relating in general to application of the directives.

Free movement of goods

Removal of technical and administrative barriers to trade

Industrial products

2.1.9. On 17 September the Economic and Social Committee delivered its opinion (→ point 2.4.28) on the proposal for a Council Directive on the approximation of the laws of the Member States relating to simple pressure vessels.²

Foodstuffs

2.1.10. On 17 September the Economic and Social Committee delivered an opinion (→ point 2.4.23) on the Commission communication to the Council and Parliament on Community legislation on foodstuffs.³

2.1.11. On 17 September the Economic and Social Committee delivered an opinion (→ point 2.4.24) on the proposal for a Council Directive on the approximation of the laws of the Member States concerning food additives authorized for use in foodstuffs intended for human consumption.⁴

2.1.12. On 17 September the Economic and Social Committee delivered an opinion (→ point 2.4.26) on the proposal for a Council Directive on the approximation of the laws of the Member States relating to foodstuffs intended for particular nutritional uses.⁵

2.1.13. On 17 September the Economic and Social Committee delivered an opinion (→ point 2.4.25) on the proposal for a Council Directive on the approximation of the laws of the Member States relating to materials and articles intended to come into contact with foodstuffs.⁵

Pharmaceutical products

2.1.14. On 30 September the Commission adopted a communication to the Member States concerning the compatibility with Article 30 of the EEC Treaty of measures taken by Member States relating to price controls and reimbursement of medicinal products.

Unjustified barriers to trade have traditionally been eliminated by means of individual infringement procedures. However, in its White Paper on the completion of the internal market,⁶ the Commission announced that it would also in future adopt a more systematic approach by publishing general communications setting out the legal situation particularly in regard to Articles 30 to 36 for the whole of an economic sector or in relation to a particular type of barrier. This is the first such communication.

The measures taken by the Member States to control the prices of medicinal products and the reimbursements by social security are in principle compatible with Community law, provided that their restrictive effect on the free movement of goods within the common market is not disproportionate to the objective they seek to pursue. It is especially important that such measures should not entail any difference in treatment that places products imported from other Member States at a disadvantage, and that they should render the sale of imported products uneconomic or more difficult than

¹ OJ L 362, 23.12.1975.

² OJ C 89, 15.4.1986; Bull. EC 3-1986, point 2.1.13.

³ Bull. EC 11-1985, point 2.1.18.

⁴ OJ C 116, 16.5.1986; Bull. EC 4-1986, point 2.1.10.

⁵ OJ C 124, 23.5.1986; Bull. EC 4-1986, point 2.1.10.

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

for domestic products or make certain import channels impossible or more expensive than others.

The communication sets out certain fundamental and procedural conditions as regards price determination, the freezing of prices and profit margins and reimbursement approval which must be observed by the Member States. The Commission has defined these conditions in the light of Court judgments (in particular in *Danis*,¹ *Roussel*² and *Duphar*³) and on the basis of its own action against infringements.

Business law

Company law

Annual accounts

2.1.15. On 18 September the Economic and Social Committee gave its opinion (→ point 2.4.31) on the proposal for an amendment⁴ to the Directive of 15 July 1978 on annual accounts⁵ and the Directive of 13 June 1983 on consolidated accounts.⁶

Economic and commercial law

Industrial property

2.1.16. On 12 September Parliament delivered an opinion⁷ on the proposal for a Council Directive on the legal protection of original topographies of semiconductor products.⁸ It took the view that, given the protection afforded them in the United States and the need for reciprocity if European companies were not to be at a disadvantage, protection of such topographies was urgent.

Industrial affairs

Aerospace

2.1.17. The Commission has published the 1986 edition of 'Europe Assistance

Industry: trading position and figures', a compilation of the most significant statistical data available to the Commission on the world aerospace industry.⁹

The Commission has been collecting and processing data in this field since 1972. The presentation has changed somewhat since 1979, however, to include time series to make possible trend analysis. The assistance of the trade associations belonging to the European Association of Aerospace Manufacturers has enabled the Commission to extend its analysis. With their active collaboration, an annual survey of turnover and employment has been conducted among firms in the aerospace industry.

Steel

The Community steel industry

Market management

Crisis measures

Organization of the steel market in 1987

2.1.18. On 26 September the Commission approved a communication on the organization of the steel market in 1987 for transmittal to the Council for its assent, to the ECSC Consultative Committee for its opinion and to Parliament.

¹ Cases 16-20/79 [1979] ECR 3327.

² Case 181/82 [1983] ECR 3879.

³ Case 238/82 [1984] ECR 523.

⁴ OJ C 144, 11.6.1986; Bull. EC 5-1986, points 2.1.19 and 2.1.60.

⁵ OJ L 222, 14.8.1978; Bull. EC 6-1978, point 2.1.12.

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

⁷ OJ C 255, 13.10.1986.

⁸ OJ C 360, 31.12.1985; Bull. EC 12-1985, point 2.1.25.

⁹ This document (III/1955/86 EN, FR) can be obtained from the following address: Commission of the European Communities, Directorate-General for the Internal Market and Industrial Affairs (III/A/5) RP 6-4/26, 1049-Brussels.

This proposes removing further product categories from the quota system with effect from 1 January 1987, namely wire rod, merchant bars, galvanized sheet and products used for manufacturing it, and small sections.

65% of steel output is still subject to quota. The current Commission proposals would reduce this figure to about 45% (→ point 1.2.1 *et seq.*).

Production quotas

2.1.19. On 15 September the Commission adopted the provisional abatement rates for the fourth quarter of 1986;¹ the new rates are restrictive in order to take account of three factors in particular: the high level of stocks, the possibility of carrying forward to the third quarter substantial unused quantities and the decrease in exports.

These rates, shown in Table 1, are intended as a basis for establishing production quotas for the quarter.

Table 1 — *Rates of abatement for establishing the production quotas for the fourth quarter of 1986*

Product	Production quota	Proportion of the quota which may be delivered in the common market
Ia Hot-rolled flat strip, including hoop and sheet	54	54
Ib Cold-rolled sheet	51	50
Ic Galvanized sheet	17	22
II Reversing-mill plate	42	49
III Heavy sections	57	60
IV Wire rod	41	38
VI Merchant bars	43	42

2.1.20. On 5 September the Commission decided to repeal a number of decisions

concerning the obligation on steelmakers to supply certain data concerning their deliveries of products.² During the period 1976-79 it had proved necessary to take decisions obliging undertakings to supply statistical data on their deliveries in order to obtain all the facts necessary for assessing the crisis and deciding on appropriate measures.³ As the most recent Decision on the extension of the system of monitoring and production quotas of 27 November 1985⁴ provides, among other things, for the same data to be supplied, the Commission considered that the decisions in question should be repealed to save the undertakings unnecessary work.

Market situation

Production

2.1.21. Community crude steel output amounted to 8.480 million tonnes in August, a drop of 9% compared with August 1985, (see Table 2).

The forecast for production in September is 11.010 million tonnes, which is 4% lower than in September 1985. The decrease for the first nine months of the year is 6.6 million tonnes or 6.5% compared with the corresponding period of 1985.

Imports and exports

2.1.22. The trends observed in the first six months in trade in finished products between the Community (excluding Spain and Portugal) and non-Community countries show imports increasing by 4.837 million tonnes or 34% and exports decreasing by 9.014 million tonnes or 25% compared with the first six months for 1985.

¹ OJ L 264, 16.9.1986.

² OJ L 254, 6.9.1986.

³ OJ L 344, 14.12.1976; OJ L 196, 2.8.1979; OJ L 352, 31.12.1977; OJ L 126, 13.5.1978.

⁴ OJ L 340, 18.12.1985; Bull. EC 11-1985, points 2.1.23 and 2.1.24.

Table 2 — *Crude steel output, August 1985—August 1986*

	1 000 tonnes		
	August 1986	July 1986	August 1985
Belgium	845	744	861
Denmark	63	30	60
Germany (FR)	3 008	2 914	3 264
Greece	43	65	44
Spain	550	1 090	637
France	1 036	1 437	1 050
Ireland	11	8	6
Italy	1 269	2 003	1 382
Luxembourg	215	285	242
Netherlands	446	429	505
Portugal	99	65	59
United Kingdom	895	973	1 210
Total	8 480	10 041	9 320

This deterioration of the trading position is equivalent to 5 million tonnes in lost production. As production actually decreased by 3.2 million tonnes, apparent internal consumption must have risen by almost 3%, but this is partly due to stock-building.

Forward programme

2.1.23. On 19 September the Commission approved the forward programme for steel for the fourth quarter of 1986, which was then transmitted to the ECSC Consultative Committee for its opinion (→ point 2.4.40).¹ This programme contains an economic analysis and an assessment of the steel market which served as a basis for calculating the abatement rates used to establish production quotas and the proportion of these quotas that can be delivered in the common market (→ point 2.1.19).

The programme shows that industrial activity during the first two quarters, particularly in the steel industry, was less buoyant than expected. Following the severe seasonal drop in output in the third quarter, there may well be a slight recovery towards the end of the year, though not of a sufficient magnitude to cancel out the effects of the downturn during the first six months.

As a result, forecasts of industrial activity and GNP have been revised downward slightly in most Member States. The effects of the fall in oil prices and the dollar exchange rate are still the predominant influences in the Member States' economies. They will probably continue to have an adverse effect on the Community steel industry.

Although the fall in energy costs should benefit manufacturing industry, this is unlikely to offset the effect of the drop in steel demand from the energy sector, in particular the oil and gas industry. The prospects for exports to non-Community countries continue to give cause for concern, largely because of the persistent weakness of the dollar. Exporters of steel and steel products will probably face tougher competition on all markets. At the same time, imports into the Community have increased and appear to be stabilizing at a higher level than before in the fourth quarter.

Real steel consumption in the Community might reach 26.20 million tonnes in the fourth quarter, compared with 25.86 million tonnes during the last quarter of 1985. It is likely that stocks will again be

¹ After the Committee had given its opinion, the programme was published in OJ C 260, 17.10.1986.

drawn upon to a considerable extent. As far as foreign trade is concerned, the fall in

exports is compounded by the threat of a continuing growth in imports.

Table 3 — *Steel supply and demand in the Community of Ten*

	<i>million tonnes</i>				
	Outturn	Forward programme estimate ¹			Forecast
	4th quarter 1985	1st quarter 1986	2nd quarter 1986	3rd quarter 1986	4th quarter 1986
Real consumption	25.86	26.45	25.35	24.80	26.20
Stock change	- 0.30	+ 1.00	- 0.10	+ 0.20	- 0.50
Imports	3.04	2.78	2.80	2.70	2.70
Exports	7.18	5.00	6.50	6.00	4.50
Output:					
— Community of Ten	29.70	29.67	28.95	28.30	27.50
— Community of Twelve	—	33.24	32.36	31.50	30.00

¹ The output figures for the second quarter of 1986 are definitive.

When Spain and Portugal are included, the Community's output will probably amount to 30 million tonnes in the fourth quarter compared with 31.5 million tonnes in the preceding three months.

The world market continues to be characterized by a stagnation of output and apparent steel consumption, with the exception of some new steel-producing and State-trading countries, and by low prices.

Employment will probably continue to decline in the fourth quarter, reflecting the ongoing restructuring of the industry and the bleak market outlook. The trend of employment since July 1984 is shown in Table 4.

Social measures

2.1.24. In September the Commission decided on the allocation by Member State and by sector of a sum of 40 163 838 ECU as part of the 10th ECSC subsidized housing scheme (second tranche) (→ point 2.1.62).

Research

Social research

2.1.25. The Commission decided in September to grant financial support amounting to 1.734 million ECU on the basis of Article 55 of the ECSC Treaty under the fifth research programme on ergonomics¹ to 11 research projects on work organization and improved compatibility of machinery with human capabilities. Three German, three Belgian and three French firms and one Italian and one British firm will conduct this research over a two-year period.

The work covers the development of silent robots for handling long steel products, transport of personnel in sloping galleries, a method for evaluating work stations on ergonomic criteria, improvement of lighting in coal mines, improvement of acoustic protection, etc.

¹ OJ C 270, 22.10.1985; Bull. EC 5-1985, point 2.1.117.

Table 4 — *Employment in the steel industry, July 1985 to July 1986*

	July 1984		July 1985		July 1986 ¹
	1 000 employees	% change	1 000 employees	% change	1 000 employees
Belgium	39.1	— 9.2	35.5	— 7.9	32.7
Denmark	1.6	+ 6.3	1.7	+ 5.9	1.8
Germany (FR)	154.5	— 1.7	151.9	— 2.6	148.0
France	87.7	— 6.8	81.7	— 11.5	72.3
Italy	79.9	— 12.6	69.8	— 1.1	69.0
Ireland	0.7	— 14.3	0.6	— 16.7	0.5
Luxembourg	12.7	— 2.4	12.4	+ 0.8	12.5
Netherlands	18.6	+ 1.6	18.9	0.0	18.9
United Kingdom	62.0	— 2.3	60.6	— 6.4	56.7
EUR 9 ²	465.8		433.1		412.4
Average annual rate		— 5.2		— 4.8	

¹ Provisional figures.

² Comparative figures for Spain, Portugal and Greece are not available.

2.1.26. The Commission has also decided, on the basis of Article 55 of the ECSC Treaty, to grant financial support amounting to 8.251 million ECU to 13 pilot/demonstration projects and 1.019 million ECU to four technical research projects.¹

Restructuring

2.1.27. In September the Commission approved a special programme submitted by Belgium under the specific Community measure designed to remove constraints on the development of new economic activities in areas adversely affected by restructuring of the steel industry (→ point 2.1.81).

Trade with non-member countries

Imports

Sanctions against South Africa

2.1.28. Further to the decision taken by the Ministers for Foreign Affairs at a politi-

cal cooperation meeting (→ point 2.4.2), the Representatives of the Governments of the Member States, meeting within the Council, decided on 16 September to suspend imports of certain iron and steel products originating in South Africa.²

This Decision took effect on 19 September. The products concerned represent imports to the value of approximately 430 million ECU per annum (1985 figures); the value of total Community imports from South Africa is in excess of 9 000 million ECU.

Autonomous measures

2.1.29. The Commission has published the notice of initiation of an anti-dumping proceeding to verify complaints raised against imports into the Community of ferro-silicon³ and ferro-silicon-calcium

¹ Bull. EC 6-1986, point 2.1.36.

² OJ L 268, 19.9.1986.

³ OJ C 231, 12.9.1986.

(including calcium silicide)¹ originating in Brazil.

The complaint alleges that the Brazilian exporters' share of the Community market has risen from 0.49% in 1983 to over 3% in the first half of 1986.

2.1.30. On 5 September the Commission took a Decision imposing a provisional anti-dumping duty of 68 ECU/tonne on imports of certain sheets and plates originating in Yugoslavia.²

Research and technology, industrial innovation and the information market

Community R&D policy

Coordination of national policies

2.1.31. On 25 and 26 September the Scientific and Technical Research Committee met in Reading, in the United Kingdom, to examine the proposal for a new framework programme on research and technological development (1987-91) which the Commission had sent to the Council on 1 August.³

The Committee confirmed the need to develop a dynamic Community policy along the lines suggested by the Commission, underlining the importance of promoting the Community's industrial competitiveness but also of affirming the European development models (where most Member States endorsed activities in the fields of environmental protection, health and safety).

The Committee felt that the Community's activities should be carried on with increasing emphasis on small business and should also fit in with such international cooperation as is already under way or being developed in COST or Eureka.

Lastly, the Committee stressed the need for continued Community efforts to evaluate the results of R&TD programmes.

International cooperation

EFTA countries

2.1.32. The Joint Committee set up under the Framework Agreement between the Communities and Finland, signed on 29 April,⁴ held its first meeting in Brussels on 11 September. Discussion focused on the policies and priorities pursued by each party as regards science and technology and on existing cooperation in the field of R&D. The Finnish delegation showed a positive willingness to cooperate in a number of areas covered by programmes such as Esprit, RACE, Brite, and Euram,⁵ the stimulation plan and the biotechnology and radioactive waste research programmes. The Committee exchanged views on possible ways of putting this cooperation into practice.

COST

2.1.33. In August and September four memoranda of understanding entered into force, implementing the following COST projects: 24 August, COST 212 'Human factors in information services' (Sweden, Finland, Denmark, Italy); 25 September, COST 73 'Weather radar networks' (France, Italy, Netherlands, Germany, Finland, United Kingdom) and COST 217 'Optical measurement techniques for advanced optical fibre devices and systems' (Germany, Denmark, Netherlands, Finland, United Kingdom); 23 September, COST 219 'Future telecommunications and teleinformatics facilities for disabled people' (Denmark, France, Norway, Netherlands, Finland, United Kingdom).

2.1.34. Two Community-COST concertation agreements concerning biotechno-

¹ OJ C 244, 30.9.1986.

² OJ L 254, 6.9.1986 (notice of initiation of proceedings: OJ C 38, 19.2.1986).

³ Bull. 7/8-1986, point 1.2.1 *et seq.*

⁴ Bull. EC 4-1986, point 2.2.18.

⁵ European Research on Advanced Materials; Bull. EC 6-1986, point 2.1.65.

logy were signed on 25 September¹ — COST 87 with Finland (a concerted-action project in the field of *in vitro* plant cultures) and COST 48 with Norway (the aquatic primary biomass (marine macro-algae)).²

Sectoral R&D activities

Industry

New technologies

Telecommunications

2.1.35. During its September session the Economic and Social Committee delivered an opinion, (→ point 2.4.29) on the draft of a Council recommendation on the coordinated introduction of the Integrated services digital network in the Community.³

Biotechnology

2.1.36. The Management and Coordination Consultative Committee (CGC) for biotechnology, meeting in Brussels on 29 September, made a selection of research proposals for the fourth and last time under the current biotechnology research programme, BAP (1985-89).⁴ Seventy-five proposals had been submitted in response to the call for proposals published in December 1985 with regard to *in vitro* tests.⁵ The aim is to develop methods based on tissue or cell systems to supplement or even replace the *in vivo* tests used for experiments on, and homologation of, the new substances created by industry. Proposals submitted by 16 laboratories, associating to perform six joint projects, were approved by the CGC and contract negotiations may now take place following a Commission proposal.

The Committee was given an account of the tasks of the CUBE concertation unit, which is responsible for promoting harmonization of national and Community biotechnology policies. This it does through liaison activities, the processing and dissemination of information, the performance of evalu-

ations and the encouragement of new initiatives.

2.1.37. The final report of the first biotechnology research programme to be launched by the Communities, the BEP programme (1982-86),⁶ was recently published under the title 'Biomolecular engineering in the European Community'. It is a compendium of the 103 individual reports produced by the laboratories associated with the programme. It provides a review of all the scientific results obtained during three and a half years of Community research, together with relevant commentary on the more promising advances made, as compared with the unproductive lines of approach, and on development prospects. A separate chapter contains comprehensive assessments of activity in each of the four main programme sectors: enzyme engineering, genetic engineering applied to stock-breeding, genetic engineering in the agri-foodstuffs industries and genetic engineering applied to micro-organisms and plants important to agriculture.

2.1.38. The results of the biomolecular engineering programme were presented at a one-day seminar held by the Commission on 23 September as part of the 'Bio-Technica 86' fair in Hanover, one of the biggest events in Europe this year in the field of biotechnology. The Commission also had a display stand there.

Traditional industries

Scientific standards: reference materials and methods

2.1.39. On 24 September the Commission transmitted to the Council and to Parliament a report⁷ on the performance of the

¹ OJ L 216, 5.8.1986.

² Bull. EC 7/8-1986, point 2.1.40.

³ OJ C 157, 24.6.1986; Bull. EC 4-1986, point 2.1.27.

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

⁵ Bull. EC 12-1985, point 2.1.238.

⁶ OJ L 375, 30.12.1981.

⁷ COM(86) 486 final.

Community Bureau of References' programme on applied metrology and reference materials (1983-87).¹ It provides a mid-term assessment of the results obtained so far.

The Community Bureau of References plays a decisive role as regards the Community's technical harmonization policy. The purpose of its programme is to improve the consistency of results, analyses and measurements in the Community: physical measurements (lengths, masses, volumes, electrical current intensities, noise, etc.); measurements of the physical properties of materials (mechanical strength, thermal conductivity, etc.); chemical (and medical) analyses. The sometimes considerable discrepancies between the results obtained by different laboratories can give rise to disputes, trade barriers and financial loss.

The CBR programme brings together the Community's most competent laboratories and thus makes it possible to identify the causes of such discrepancies and to eliminate them.

CBR activities are both upstream and downstream of the work on standardization as such. The projects in the programme are linked with the preparation or application of technical standards or Community directives connected with industry, the environment, food and health. One recent result of CBR activities has been the reduction of differences in gas flow measurements in the big pipelines to 0.2% (the lowest limit technically feasible at present); these differences have been a source of dispute between Member States.

Certain current projects aim at reducing considerably differences in measurements of the heat and sound insulation properties of double glazing, a source of serious trade barriers at present. Other projects are concerned with measurements of background noise in telecommunications systems. With regard to the environment, CBR activities have brought about significant improvements in a number of analyses relating to traces of heavy metals or organic compounds (carcinogenic agents, pesticides),

the results of which had varied widely from laboratory to laboratory. In the agri-food-stuffs sector, the programme has led to the elimination of certain aberrations in toxicological measurements on powdered milk, which differed by a factor of 10 000 in the case of cadmium and 1 000 in that of certain other toxins. Work is also being done on measurements of heavy metals and hormones in meat and on analysis of oils, fats, flours and fruit juice.

Ninety projects, each involving between 5 and 20 different laboratories, have already been launched as part of the programme,¹ bringing the total number of laboratories associated with it to over 700.

Agriculture and fisheries

2.1.40. On 12 September Parliament delivered an opinion² on an amended proposal for a Regulation on the coordination and promotion of fisheries research and on a proposal for a Decision adopting Community research and research coordination programmes in the fisheries sector for the period 1985-89.³

Parliament welcomed the priority placed on fisheries management as the basis for ensuring the long-term viability of the fishing industry, while stressing the fact that the appropriations suggested in the proposals were extremely limited.

Environment

2.1.41. From 8 to 12 September an international workshop was held in Edinburgh on the effects of lead pollution on children's intelligence and behaviour. This event was organized by the Commission, as part of the new research programme in the field of environment (1986-90),⁴ in conjunction with the US Environmental Protection Agency. A number of UK government

¹ OJ L 26, 28.1.1983; Bull. EC 12-1982, point 2.1.182.

² OJ C 255, 13.10.1986.

³ OJ C 312, 3.12.1985; Bull. EC 11-1985, point 2.1.197.

⁴ OJ L 159, 14.6.1986; Bull. EC 6-1986, point 2.1.67.

departments were also associated with the venture.

Some important data emerged. Recent studies of young children in Europe, in particular in Scotland, Denmark and Greece (performed as part of the Community research programme in the case of the last two), had apparently indicated that exposure to lead at rates commonly recorded in Europe adversely affected both intelligence and behaviour. Results had also revealed significant links between lead concentration in the maternal blood and the birth weight, growth and stature of the children.

The workshop proved particularly valuable in providing the opportunity for information exchange between epidemiologists studying children and research workers concerned with animal behaviour and possible modification mechanisms. Given that animals are unaffected by interfering social factors, a greater knowledge of the mechanisms by which lead disturbs functions of their central nervous systems is likely to be of very considerable help when it comes to devising, performing and interpreting human epidemiology studies.

2.1.42. On 12 September Parliament adopted a resolution on measures to counteract the rising concentration of carbon dioxide in the atmosphere (the 'greenhouse effect') (point 2.4.11).¹

Health and safety

Radiation protection

2.1.43. A seminar entitled 'cycling of long-lived radionuclides in the biosphere: observations and models' was held in Madrid from 15 to 19 September. It was organized jointly by the Commission, as part of the health-protection (Euratom) and public-health programme and the radiation protection programme (1985-89),² and the Spanish Junta de Energía Nuclear.

The study of long-lived radionuclides, which include certain substances released

during nuclear accidents) involves a number of specific problems connected with the fact that they can enter different bio-geochemical cycles. Because of the length of their half-life, they can be widely dispersed around their point of release and contaminate food chains. What effect their transfer through food chains and ecosystems has on the doses received by human beings is not yet clearly understood. Although experimental studies have been made of their short-term behaviour, the results obtained do not yet provide a basis for conclusions as to their behaviour in the long term. Another factor to be taken into account is that the concentrations of these radionuclides are affected to some extent by very gradual changes in the ecosystems due mainly to human activities. There is consequently a need for further intensive research in this area, and part of the Madrid seminar was devoted to a discussion of the main lines to be pursued.

Industrial innovation and the information market

Utilization of research results

2.1.44. A European symposium on the utilization of results of publicly funded R & D was held in Luxembourg on 23-25 September. It was opened by Mr Santer, Prime Minister of Luxembourg, and by Mr Narjes, Vice-President of the Commission with special responsibility for research, science and innovation. The symposium was attended by over 450 participants representing political, industrial, research, academic and administrative circles.

The need to improve the utilization of R & D results in the Community and the absence of any comprehensive approach to the problem were both frankly acknowledged. The discussions focused on ways in which the situation in the individual Member States

¹ OJ C 255, 13.10.1986.

² OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

could be improved and on what the Community's contribution might be. Although it had always been clear that the Community should not undertake activities that could better be carried out by the individual Member States, there was still enormous scope for synergetic action at Community level.

The general Community framework within which R&D results were used (i.e. the legal and administrative aspects) could certainly be improved. Formal and informal transnational contacts could be established and transnational cooperation promoted in order to avoid duplication of effort where complementary interests were involved.

Special attention was paid to the potential uses of machine translation systems and to the need to ensure that every region in the Community that is less well-endowed with the necessary infrastructure for promoting innovation is equipped with effective means of so doing.

In parallel with this symposium, the Commission organized a small exhibition to present its activities in connection with the dissemination and utilization of Community R & D results, the plan for the transnational development of the supporting infrastructure for innovation and technology transfer¹ and the Systran machine translation system.

Customs union

General legislation

Reliefs from customs duty

2.1.45. On 22 September the Commission presented to the Council a proposal for a Regulation² amending the Regulation of 28 June 1968 on the Common Customs Tariff³ and that of 28 March 1983 setting up a Community system of reliefs from customs duty.⁴

The main object of this proposal is to harmonize the rules governing the combined

application of duty relief and flat-rate duty, whether the goods are imported in the form of small consignments or contained in travellers' personal luggage. It will thus put an end to the numerous complaints made by individuals receiving small consignments. Other proposed amendments would make permanent the provisions for allowing relief on imports used in medical research, establishing medical diagnoses or carrying out medical treatment, and create a further item of relief for reference substances used in the quality control of medicinal products.

Mutual assistance between administrative authorities of the Member States

2.1.46. On 24 September the Commission adopted a Directive⁵ further amending⁶ the Directive of 4 November 1977⁷ laying down detailed rules for implementing certain provisions of the Council Directive of 15 March 1976 on mutual assistance for the recovery of claims resulting from operations forming part of the system of financing the European Agricultural Guidance and Guarantee Fund and of agricultural levies and custom duties, and in respect of value-added tax.⁸

This new amendment will raise the general threshold at which assistance may be requested to 1 500 ECU.

Customs procedures with economic impact

Inward processing

2.1.47. On 24 September the Commission presented to the Council a proposal for a Regulation⁹ laying down provisions for the

¹ OJ L 353, 15.12.1983; Bull. EC 11-1983, point 2.1.29.

² OJ C 254, 11.10.1986; COM(86) 466 final.

³ OJ L 172, 22.7.1968; OJ L 331, 9.12.1985.

⁴ OJ L 105, 23.4.1983; Bull. EC 3-1983, point 2.1.28.

⁵ OJ L 283, 4.10.1986.

⁶ OJ L 285, 25.10.1985.

⁷ OJ L 333, 24.12.1977.

⁸ OJ L 73, 19.3.1976.

⁹ COM(86) 478 final.

implementation of the Regulation of 16 July 1985 on inward processing relief arrangements.¹

The proposal sets out the conditions in which the inward processing arrangements will operate and in particular contains rules concerning applications for and the issue of inward processing authorizations and the general conditions for authorization. It specifies the circumstances in which the suspension system may be used, where compensating products are to be exported from the customs territory of the Community. It also lays down conditions for use of the equivalent compensation and prior export systems and defines the time at which the change in customs position of the goods concerned takes place. It provides for uniform rules for the charging of duties in cases where a customs debt arises and also rules for administrative cooperation between Member States to ensure the effective implementation of the arrangements where more than one Member State is involved.

Common Customs Tariff

Nomenclature

2.1.48. On 15 and 24 September the Commission adopted two Regulations concerned with the uniform application of the CCT nomenclature. One related to the classification in heading No 39.07 of binders consisting of paperboard covered on each side with a sheet of artificial plastic material² and the second was concerned with tobacco falling within subheading 24.01 A.³

Economic tariff measures

Tariff quotas

2.1.49. In September the Council adopted two Regulations opening, allocating and providing for the administration of Community tariff quotas for the following products:

(i) aubergines falling within CCT subheading ex 07.01 T II originating in Cyprus (1986);⁴

(ii) herring, fresh or chilled, falling within CCT subheading ex 03.01 B I a) 2 aa) originating in Sweden.⁵

2.1.50. On 11 September. Parliament passed a resolution on the revision of quotas for agricultural products from the Canary Islands (→ point 2.4.11).⁶

Competition

General rules applying to undertakings

Competition policy and small businesses

2.1.51. As it indicated in its action programme for small and medium-sized enterprises,⁷ transmitted to the Council in August, the Commission recognizes the importance to the Community of a substantial network of small firms. The success of such firms is in many cases dependent upon their ability to establish cooperation agreements in various areas of economic activity and to do so in the knowledge that such agreements do not infringe the Community competition rules.

The Commission has accordingly published a new notice on agreements of minor importance which do not fall under Article 85(1) of the Treaty⁸ on the grounds that such agreements do not have an appreciable impact on competition within the common market and on trade between Member States. The Commission believes that in

¹ OJ L 188, 20.7.1985; Bull. EC 7/8-1985, point 2.1.40.

² OJ L 265, 17.9.1986.

³ OJ L 275, 26.9.1986.

⁴ OJ L 267, 19.9.1986.

⁵ OJ L 259, 11.9.1986.

⁶ OJ C 255, 13.10.1986.

⁷ Bull. EC 7/8-1986, point 1.3.1 *et seq.*

⁸ OJ C 231, 12.9.1986.

general an agreement will not have an appreciable impact on market conditions where the market share of the firms involved is no more than 5% and their aggregate annual turnover does not exceed 200 million ECU. Agreements need not be notified in such cases at the Commission considers that the prohibition laid down in Article 85 does not apply.

The previous notice of 1977 has been amended as follows:¹

(i) the market share of participating firms is no longer calculated by reference to a 'substantial part of the common market'. The notice is now based on the concept of 'the area within the Community in which the agreement produces its effects'. With the increasing integration of the Community into a single market, this area should in many cases correspond to the whole of the Community;

(ii) the turnover threshold has been increased from 50 million ECU to 200 million ECU. This change will enable more firms to benefit from the notice;

(iii) the notice now also applies to services, a reflection of the increasing importance to the economy of the services sector, in which small firms play a major part.

Restrictive practices, mergers and dominant positions: specific case

Distribution

Peugeot-Talbot

2.1.52. On 25 September the Commission decided² that the Peugeot-Talbot distribution network in the Netherlands, Belgium and Luxembourg in operation up to 30 June 1985 did not comply with the EEC Treaty competition rules. Under the contractual system in force until then, Peugeot-Talbot dealers on the Continent were unable to purchase right-hand-drive vehicles direct from the manufacturer. The aim of the measures taken by Peugeot-Talbot was to

protect its UK sales network by blocking parallel imports from the Continent. The Commission decided that on account of the obstacles — long delivery period, price supplement — encountered in vehicle purchase by customers resident in the UK, the Peugeot-Talbot distribution system failed to qualify for exemption under Article 85(3).

The European consumer's right to purchase cars wherever price and quality are most advantageous is essential to reducing car price differentials throughout the Community. Under the competition rules this basic right must be protected when difficulties are placed in the way of consumers in one Member State purchasing cars in other Member States. This protection is particularly important in the case of UK and Irish consumers who wish to purchase RHD cars on the Continent. The Commission previously took action in 1983³ when Ford refused to supply its dealers in Germany with RHD vehicles in order to prevent competition from parallel imports on the UK market and to maintain the high prices prevailing there. The Commission refused to grant exemption for Ford's selective distribution system and its Decision was upheld by the Court of Justice⁴ in 1985.

The Peugeot-Talbot Decision makes it clear that distribution agreements cannot be exempted from the general prohibition on restrictive practices in Article 85(1) not only where a manufacturer refuses categorically to supply RHD cars, but also where he introduces substantial supplements to LHD car prices; it is accordingly not worthwhile for UK and Irish consumers to purchase on the Continent and the supplements have the same effect as a refusal to supply.

As Peugeot notified its distribution agreement, the Commission could not impose a fine in respect of its arrangements up to

¹ OJ C 313, 29.12.1977.

² OJ L 295, 18.10.1986.

³ OJ L 327, 24.11.1983; Bull. EC 11-1983, point 2.1.47.

⁴ Joined Cases 25 and 26/84 *Ford-Werke AG and Ford of Europe Inc. v Commission*.

30 June 1985. It did, however, impose a fine of 4 000 ECU because the company replied incorrectly to a request for information made by the Commission during its investigations. New rules came into force on 1 July 1985 the Commission's block exemption Regulation on motor vehicle distribution and servicing agreements.¹

While competition in the motor trade tends to be inter-brand between rival distribution networks and — for a given make — certain restrictions on intra-brand competition between dealers in the same network and for the same goods are thus tolerated, such restrictions go too far if a European consumer cannot obtain elsewhere in the common market a particular model with the specifications of his own country, even though that model is marketed through the manufacturers' dealer network in both countries. The Commission's enforcement of this policy has produced significant intra-Community trade in RHD cars.

State aids

Industry aids

Textiles, glass containers and steel

Belgium

2.1.53. On 24 September the Commission delivered a ruling on special measures notified by the Belgian Government concerning taxation in respect of the redemption of non-voting preference shares issued by companies in certain branches of the Belgian textile, glass container and steel industries. Under this scheme Article 117 of the Belgian tax code does not apply to amounts used by private companies to redeem their shares previously acquired by public investment companies i.e. they are exempt from the normal profits tax: 45% in 1986, 43% in subsequent years and 37% where small businesses are involved. The proposed exemption, to apply to the end of 1990, would be restricted each year to the redemption of a tranche of no more than 20%

of the stake held by the public holding company. The non-voting shares held by the public holding companies are valued at BFR 7 200 million in the case of textiles, BFR 621 million as regards glass containers and BFR 7 900 million as regards steel.

2.1.54. The Commission decided to initiate the Article 93(2) procedure in respect of the measures concerning the textile and glass container industries. It considered that the assistance, in the form of exemption from tax on the redemption of non-voting shares, would artificially reduce the tax bill of companies in the industries concerned, thus weakening the competitive position of other Community manufacturers. Since a large proportion of the output of the Belgian textile, clothing and glass container industries is exported to other Member States, at a time when demand is slackening (textiles and clothing) or falling (glass containers), the scheme would distort competition, depress prices to the detriment of other manufacturers who would run the risk of being driven out of the market and have an appreciable impact on trading conditions.

As regards the measures affecting the steel industry — in so far as the activities concerned are covered by the ECSC Treaty — the Commission takes the view that the assistance, in the form of exemption from tax on the redemption of non-voting shares by steel undertakings, constitutes operating aid not covered by Articles 2 and 4 of its Decision of 27 November 1985.² The Commission accordingly informed the Belgian Government that the scheme to exempt from tax the redemption of non-voting shares now held by public investment companies could not be approved as notified. It considered that the proposed measures were incompatible with the common market in coal and steel and therefore prohibited within the Community under Article 4(c) of the ECSC Treaty.

¹ OJ L 15, 18.1.1985; Bull. EC 12-1984, point 2.1.50.

² OJ L 340, 18.12.1985; Bull. EC 11-1985, points 2.1.23 to 2.1.25.

Data processing

Belgium

2.1.55. On 10 September the Commission decided to raise no objection to the introduction of a scheme notified by the Belgian Government to assist a firm in the data-processing and communication industry. On the basis of the information available, it took the view that this aid would not distort competition or be likely to do so: it was accordingly not incompatible with the common market within the meaning of Article 92(1).

Financial institutions and taxation

Financial institutions

Banks

2.1.56. On 18 September the Commission sent the Council a proposal for a Directive on the own funds of credit institutions.¹ Own funds represent a credit institution's capital, including those elements that may be treated as capital under national rules. They can thus serve to absorb losses and, as such, play a vital role in ensuring the continuity of the credit institution. They also serve as the basic yardstick for prudential purposes, in particular by allowing the solvency of credit institutions to be assessed. Consequently, early agreement on the definition of own funds should contribute to subsequent coordination of banking regulations and to the achievement of more equal conditions of competition within the Community.

The proposed Directive is aimed at establishing a common definition of own funds whenever that concept is employed in banking regulations. Thus, among the conditions governing the taking up and pursuit of the business of credit institutions laid down

in the Council Directive of 12 December 1977,² the existence of adequate own funds is regarded as an essential basis for the stability of the banking system. Community provisions also refer to such a definition in a large number of other cases, providing a more precise basis for comparison between credit institutions.

The definition of own funds covers a number of elements and draws a qualitative distinction between internal and external elements. Internal elements, over which credit institutions have full disposal, are capable of being used to absorb losses which may be experienced by an ongoing credit institution, while external elements, which are placed at the disposal of a credit institution for a limited period, are really used only in the event of liquidation of the credit institution concerned.

The definition proposed represents a first stage in the process of tightening the capital requirements imposed on credit institutions operating in the Community and of defining more strictly the elements that may qualify as 'own funds'. With this in view, the Commission will, in cooperation with the Banking Advisory Committee, review the definition after a period of three years and, if necessary, adapt the Directive to any new requirements in the banking sector.

2.1.57. On 18 September the Economic and Social Committee delivered its opinion on the proposal for a Directive³ amending the Directives of 15 July 1978 and 13 June 1983 on annual accounts⁴ and consolidated accounts⁵ (→ point 2.4.31).

Stock exchanges and other institutions in the securities field

2.1.58. On 17 September the Economic and Social Committee delivered its opinion

¹ OJ C 243, 27.9.1986; COM(86) 169 final.

² OJ L 322, 17.12.1977; Bull. EC 11-1977, point 2.1.49.

³ OJ C 144, 11.6.1986; Bull. EC 5-1986, points 2.1.19 and 2.1.60.

⁴ OJ L 222, 14.8.1978; Bull. EC 6-1978, point 2.1.12.

⁵ OJ L 193, 18.7.1983; Bull. EC 6-1983, point 2.1.21.

on the proposal for a Directive¹ amending the Directive of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS),² as regards jurisdiction in disputes arising from the marketing of units of UCITS (→ point 2.4.30).

Taxation

Indirect taxes

Tax-free allowances

Duty-free admission of fuel

2.1.59. On 17 September the Economic and Social Committee delivered its opinion on two proposals for Directives,³ the first amending 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, and the second amending the Directive of 19 July 1968 (68/297/EEC) on the standardization of provisions regarding the duty-free admission of fuel contained in the fuel tanks of commercial motor vehicles⁷ (→ point 2.4.32).

Employment, education and social policy⁸

1985 Social Report

2.1.60. At its September session the Economic and Social Committee delivered an opinion on social developments in the Community in 1985 (→ point 2.4.33).⁹

Financial instruments

European Social Fund

2.1.61. On 9 September Parliament adopted a resolution on the future of the European Social Fund (→ point 2.4.11).¹⁰

Measures for ECSC workers

Subsidized housing

2.1.62. As part of the second instalment¹¹ of the 10th programme¹² of subsidized housing for workers in the industries covered by the ECSC Treaty the Commission decided to grant global loans to financial intermediaries in the Member States totalling 40 163 838 ECU (which includes 1 163 838 ECU carried over from the first instalment).¹³ This will be distributed as follows among the Member States (in millions of ECU): Belgium 2.29, Denmark 0.15, Germany 9.5, Greece 0.4, Spain 6.5, France 5.9, Ireland 0.14, Italy 3.88, Luxembourg 0.5, the Netherlands 0.8, Portugal 0.7 and the United Kingdom 9.4.

Education and vocational training

Cooperation in education

2.1.63. As part of its efforts to further cooperation between universities in the European Community the Commission awarded 175 short-term study grants, totalling 170 000 ECU, to teachers and administrators in higher education establishments. The successful candidates were selected from among 604 applicants.

2.1.64. Following a decision taken by senior education officials at their annual informal meeting in Luxembourg in July

¹ OJ C 129, 28.5.1986; Bull. EC 4-1986, point 2.1.61.

² OJ L 375, 31.12.1985; Bull. EC 12-1985, point 2.1.82.

³ OJ C 183, 22.7.1986; Bull. EC 7/8-1986, point 2.1.91.

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; Bull. EC 5-1977, points 1.3.1. to 1.3.4.

⁷ OJ L 175, 23.7.1968.

⁸ For social research in the steel industry, see points 2.1.25 and 2.1.26.

⁹ Bull. EC 5-1986, point 2.1.67.

¹⁰ OJ C 255, 13.10.1986.

¹¹ Bull. EC 5-1986, point 2.1.71.

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

¹³ Bull. EC 5-1985, points 2.1.40 and 2.3.12.

1985,¹ the UK Government organized a seminar on the Scottish Sixteen-Plus-Action Plan, with the support of the Commission, in Glasgow on 11 and 12 September.

Youth exchanges

2.1.65. On 17 September the Economic and Social Committee adopted an opinion (→ point 2.4.34) on a proposal for a Council Decision setting up the 'Yes for Europe' action programme for the promotion of youth exchanges in the Community in 1987-89.²

Higher education

2.1.66. On 18 and 19 September the Education Committee resumed discussions on the Erasmus programme,³ as agreed by the Council and the Ministers of Education meeting within the Council on 9 June.⁴

The Presidency plans to complete work on Erasmus by November so that the draft programme can be considered at the next meeting of the Council and Ministers of Education, which is scheduled for the end of that month.

Education and training for migrant workers

2.1.67. A seminar on the artistic education of young migrants was held in Trier on 15-17 September, organized by the Federal Republic of Germany in association with the Commission. Representatives of the Member States took part.

Living and working conditions and social protection

Labour law and industrial relations

2.1.68. On 11 September Parliament adopted a resolution deploring the action taken by the Michelin company, which had put 1 034 people out of work without prior information or consultation concerning its

decision to close its factory in Belgium (→ point 2.4.11).⁵

Social integration of the handicapped

2.1.69. The Commission gave its support to the organization of the second plenary meeting of the European Secretariat of the World Federation of the Deaf, which was held in Brussels on 18 and 19 September.⁶ The profoundly deaf from 11 Member States took part with the assistance of sign-language interpreters in all languages of the Community.

Free movement of migrant workers

2.1.70. On 11 September Parliament adopted a resolution condemning hostility towards people from the Arab countries (→ point 2.4.12).⁵

Health and safety

Public health

2.1.71. A seminar on instruction and training in health education for student teachers was held by the Commission in Luxembourg on 17-19 September, in cooperation with the World Health Organization (Regional Office for Europe) and the Council of Europe.

At the seminar, joint discussions took place between representatives of health education organizations, public health and national education authorities and the teaching profession and other representatives of the various disciplines concerned with the promotion of health, the main aim being to draw up guidelines for trainee teachers as regards needs, strategies and prospects in the sphere of health education.

¹ Bull. EC 7/8-1985, point 2.1.86.

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

³ OJ C 73, 2.4.1986; Bull. EC 1-1986, point 2.1.63.

⁴ Bull. EC 6-1986, point 2.1.106.

⁵ OJ C 255, 13.10.1986.

⁶ Bull. EC 9-1985, point 2.1.60.

This seminar followed on from those held in 1980 on the role of the physician in health education¹ and in 1985 on the role of the teaching profession in health education.²

Health and safety at work

2.1.72. The intermediate group of the Advisory Committee on Safety, Hygiene and Health Protection at Work set up by the plenary meeting of 21-22 May³ held its inaugural meeting on 11 September. After drawing up its rules of procedure, it specified the terms of reference of the *ad hoc* groups on occupational medicine, safety (technical aspects), safety (organization and information), and pathogenic agents, with a view to the plenary meeting of 4-5 November. Discussions also covered the political and practical implications for the Committee of the Commission proposal⁴ to amend the Council Decision⁵ setting up the Committee, which would extend the latter's terms of reference to include the radiation protection of workers.

Health and safety (Euratom)

2.1.73. On 11 September Parliament adopted a resolution on the Cattenom nuclear power station (→ point 2.4.11).⁶

A people's Europe

Citizens' rights

Participation by citizens in the political process in the Member States

Voting rights in local elections

2.1.74. As promised on 15 November 1985, the Commission has now sent Parliament a report on voting rights in local elections for Community nationals.⁷ This report will also be transmitted to the Council for information.

The report argues in favour of granting voting rights exclusively to Community nationals and only in local elections. The Community institutions have been considering this issue since 1974. Discussions in the Council were broken off in 1979 but the Commission has continued to endorse the principle, notably in the course of the proceedings of the *ad hoc* Committee on a People's Europe.⁸

The problem of voting rights in local elections must be viewed against the background of the demographic situation, with particular emphasis on the specifically Community aspects. A demographic analysis shows that foreigners account for less than 1% of the population in Spain, Greece, Italy and Portugal. Only in France, Germany, Belgium and Luxembourg do they account for more than 4% and only in Belgium and Luxembourg do Community nationals make up over half the foreign population. The Member States who allow all foreign residents to vote in local elections (Ireland, Denmark and the Netherlands) have a very small foreign population. At present, more than 4 million Community nationals are disenfranchised in such elections simply because they live in a Member State other than their own.⁹

Legal analysis of the problem shows that reform would entail amendments to the constitution in Greece, Italy, Luxembourg, Belgium, Germany and France. Political analysis shows that resistance to reform is strongest in countries with the largest foreign population (Belgium, Luxembourg, France and Germany). However, recent

¹ Bull. EC 7/8-1980, point 2.1.58.

² Bull. EC 6-1985, point 2.1.81.

³ Bull. EC 5-1986, point 2.1.92.

⁴ Bull. EC 7/8-1986, point 2.1.235.

⁵ OJ L 185, 9.7.1974.

⁶ OJ C 255, 13.10.1986.

⁷ Supplement 7/86 — Bull. EC; COM(86) 487 final.

⁸ The reports from the *ad hoc* Committee to the European Councils in Brussels (29-30 March 1985) and Milan (28-29 June 1985) are reproduced in Supplement 7/85.

⁹ With the exception of French, Spanish and Italian citizens, who may vote in their country of origin either by returning there for elections (Italy), or by post.

experience in the Netherlands confirms that even constitutional obstacles can be overcome provided there is political will.

Such reform, which should make voting a right but not a rule, should include supplementary measures modelled on the national system. The minimum period of residence should be at least equal to the term of office of the local council and should be continuous in the same municipality. In the case of the right to stand for election, which need not necessarily be introduced at the same time, the residence requirement should be doubled.

There is a similar problem in the case of the uniform procedure for elections to the European parliament, which should be the first to 'Europeanize'. Indeed, a formal commitment on the part of the European Parliament under Article 138 EEC is a political requisite if progress is to be made.

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

Free movement of citizens

Tourism

2.1.75. At its September plenary session the Economic and Social Committee (→ point 2.5.35) delivered its opinion on a Commission communication to the Council on Community action in the field of tourism.¹

Regional policy

Coordination and programmes

Regional Policy Committee

2.1.76. The Regional Policy Committee, which met on 24 and 25 September under the chairmanship of Mr Sallois, adopted

opinions on the 'third generation' regional development programmes for Greece and Denmark covering the period 1986-90.

The Committee had an initial discussion on the implementation of the provisions of Article 130 D of the Single European Act,² with the Commission representative making a statement. The Committee continued to examine the question of national regional aid and the Community's rules of competition.³ In that connection, it heard a statement concerning the memorandum from the Government of the Federal Republic of Germany on Commission monitoring of national regional aid.

Financial instruments

European Regional Development Fund

Tenth annual report

2.1.77. On 8 September Parliament passed a resolution⁴ on the Commission's 10th annual report, which covers the activities of the European Regional Development Fund in 1984.⁵

While noting that there had been no reduction in regional imbalances within the Community, Parliament nevertheless welcomed the fact that the Commission had made a genuine selection of projects according to their merits. Observing that appropriations had been allocated to small infrastructure projects—which had appreciably increased the number of projects assisted compared with 1983—it stressed, however, that excessive dispersal of appropriations was not desirable. It also welcomed the fact that almost all the commitments available for the quota section of the Fund had been used, but regretted the cancellation of

¹ Supplement 4/86 — Bull. EC; Bull. EC 1-1986, point 1.4.1 *et seq.*

² Supplement 2/86 — Bull. EC.

³ Bull. EC 12-1985, point 2.1.127.

⁴ OJ C 255, 13.10.1986.

⁵ Bull. EC 10-1985, point 2.1.81.

appropriations entered for non-quota measures.

With regard to the ERDF's achievements between 1975 and 1974, Parliament recognized the importance of the ERDF's influence on the economy of the regions and approved of the manner in which its role had developed, and in particular of the greater account taken of the problems facing the traditional industrial regions in decline and the difficulties facing transfrontier regions. It noted with satisfaction that the funds provided had helped to create or maintain 640 000 jobs in the productive sector alone, although that sector had absorbed only 18% of total appropriations from 1975 to 1984. Parliament argued that ERDF studies should not proliferate and become a way of avoiding more substantial measures. It stressed the importance of financing new projects rather than those close to completion and the need to ensure that Community expenditure was additional to national expenditure. It argued that a more precise definition of priorities would facilitate coordination of the objectives and priorities of Community and national regional policy and that the ERDF should be decentralized so as to secure the more active participation of local authorities. Finally, after deploring the fact that too great attention had been paid to national interests, it expressed the hope that the new Fund Regulation,¹ which came into force on 1 January 1985, would enable the Commission to exercise greater authority to ensure respect for the additional nature of the aid so that the ERDF could play its role to the full.

ERDF grants

Project financing

2.1.78. On 16 September the Commission approved the sixth allocation of grants for 1986 from the European Regional Development Fund: 545.5 million ECU for 89 investment projects costing a total of 1 468.45 million ECU. Each of the projects in question cost more than 5 million ECU.

The assistance granted under this allocation is distributed among the Member States as shown in Table 5.

The total of 545.5 million ECU breaks down as follows:

- (i) 60.04 million ECU to help finance 27 projects in industry, craft industries and the service sector;
- (ii) 485.46 million ECU to help finance 62 infrastructure projects.

This sixth ERDF allocation for 1986 brings the number of projects financed since the Fund was set up to 31 426 and the total assistance granted to 15 784.66 million ECU.

Programme financing

National programmes of Community interest

2.1.79. On 1 September the Commission adopted, under the integrated Mediterranean programme for Crete (→ point 1.3.1 *et seq.*), a national programme of Community interest (NPCI) costing 85.783 million ECU and covering the period from 1985 to 1992. On the same date, it committed an initial allocation of ERDF aid amounting to 17.582 million ECU for that NPCI.

2.1.80. On 23 September the Commission approved the granting of ERDF aid to a national programme of Community interest for the Tayside region of Scotland. That programme, covering the five-year period from 1985 to 1989, provides for four types of measure: industrial site development, means of communication, tourism, and water and drainage. The ERDF is contributing 33.67 million ECU to the programme.

'Non-quota' programmes

2.1.81. On 23 September the Commission approved a special programme presented by

¹ OJ L 169, 28.6.1984; Bull. EC 6-1984, points 1.3.1 to 1.3.11.

Table 5 — ERDF grants: sixth 1986 allocation

	Number of grant decisions	Number of investment projects	Investment assisted (million ECU) ¹	Assistance granted (million ECU) ¹
Belgium	—	—	—	—
Denmark	—	—	—	—
FR of Germany	7	7	57.08	3.08
Greece	6	6	153.04	74.71
Spain	10	24	242.95	104.26
France	1	1	6.07	0.26
Ireland	4	7	82.41	35.07
Italy	23	23	583.79	273.42
Luxembourg	—	—	—	—
Netherlands	1	1	8.13	2.44
Portugal	1	1	6.85	2.54
United Kingdom	15	19	328.13	49.72
Total	68	89	1 468.45	545.5

¹ Converted at January 1986 rates.

the Belgian authorities under the specific Community regional development measure contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by restructuring of the steel industry.¹ The programme, which is eligible for assistance under the former 'non-quota' section of the Fund, concerns the provinces of Liège, Hainaut and Luxembourg and covers the period 1985-89. The Community will contribute 33 million ECU to the total cost of 69 million ECU.

Measures to exploit the internally generated potential of regions

2.1.82. In accordance with Article 15 of the new Fund Regulation,² amended in December 1985,³ the Commission decided on 24 September to grant 235 000 ECU to provide help in the start-up phase of six business and services centres in the Flanders region of Belgium.

Financing of studies

2.1.83. On 24 September the Commission decided, in accordance with Article 24 of the

Fund Regulation,² to grant 197 000 ECU towards the financing of three studies closely related to Fund operations. It also made a grant of 57 000 ECU towards the study 'Leisure and tourism development at Starlaw Junction' (Scotland) and one of 129 000 ECU towards the study 'Detailed economic appraisal of the opportunities for increased public and private sector investment in the Leeds-Liverpool Canal Corridor'.

Aid for disaster victims

2.1.84. In September the Commission decided to make two emergency aid grants: the first, amounting to 1 000 000 ECU (approximately DR 138 580 000), to the inhabitants of the Kalamata region (Greece) most affected by the earthquakes which struck that area on 13 September and the following days; the second, amounting to

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

² OJ L 169, 28.6.1984; Bull. EC 6-1984, points 1.3.1 to 1.3.11.

³ OJ L 350, 27.12.1985; Bull. EC 12-1985, point 2.1.128.

250 000 ECU (approximately FF 1 720 000), to the families of the victims of the serious forest fires which had occurred during the previous two months in south-eastern France and Corsica.

2.1.85. On 11 September Parliament passed six resolutions on the damage caused by drought in Mediterranean regions and in France, on the cyclone and storms which struck Ireland in August and on the consequences for Irish farmers, on the effect on crops of recent weather conditions and on the damage caused by storms in the Azores (→ point 2.4.11).¹

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2.1.86. On 9 September Parliament passed a resolution on the traditional industrial regions of the Community (→ point 2.4.11).¹

Coordination of structural instruments

Integrated Mediterranean programmes

Signature of the first IMP for Crete

2.1.87. The first IMP for Crete was signed in Iraklio on 2 September. Mr Grigoris Varfis, the Commission Member with special responsibility for coordination of the structural Funds, and Mr Kostas Simitis, the Greek Minister for Economic Affairs, made brief speeches to mark the occasion (→ point 1.3.1 *et seq.*).

Environment and consumers

Environment

Fourth Community environment action programme

2.1.88. On 24 September the Commission adopted a communication accompanied by

a draft resolution concerning its fourth environment action programme for transmittal to the Council (→ point 1.1.1 *et seq.*). This programme, which is to run from 1987 to 1992, marks the start of a new phase in Community policy in which environmental protection, based on the establishment of strict standards, is to become an integral part of economic and social policies—both Community and national—instead of playing a merely secondary role.

Action by the Community on the environment (ACE) and other activities

2.1.89. On the basis of the Council Regulation of 28 June 1984,² and in implementation of the 1986 budget (Article 661 — Community operations concerning environment), the Commission decided on 25 September to grant financial support to 19 projects on measurement techniques and 3 further projects on clean technologies. The projects are located in the following Member States: France, Italy, Netherlands, Greece, Germany, Ireland, United Kingdom and Belgium.

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Protection of the Mediterranean basin

2.1.90. As part of its plan of action for the protection of the environment in the Mediterranean³ the Commission decided on 18 September to set up an Advisory Committee whose main tasks are to pool information and experience in the Member States, to help in coordinating the various measures under way or planned at national, international and Community level, and to assist the Commission in developing a medium- and long-term strategy for the protection of the Mediterranean environment.⁴

¹ OJ C 255, 13.10.1986.

² OJ L 176, 3.7.1984; Bull. EC 6-1984, point 2.1.72.

³ OJ C 133, 21.5.1984; Bull. EC 4-1984, point 2.1.79.

⁴ OJ L 282, 3.10.1986.

The Committee will comprise a maximum of 16 highly qualified specialists appointed by the Commission upon proposals from the Member States.

Prevention and reduction of pollution and nuisances

Protection of the aquatic environment

Paris Convention

2.1.91. On 22 September the Commission decided¹ to ask the Council to authorize the conclusion of a Protocol amending the Paris Convention for the Prevention of Marine Pollution from Land-based Sources² which was adopted in Paris on 26 March 1986.³ In view of the favourable outcome of the negotiations, the Community should conclude the Amending Protocol and, like the other Contracting Parties to the Convention,⁴ deposit its instrument of ratification. The Protocol includes in the Convention marine pollution caused by land-based emissions to the atmosphere.

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2.1.92. On 11 September Parliament adopted a resolution on the Community's powers with regard to the law of the sea and the prevention of marine pollution (→ point 2.4.11).⁵

Combating air pollution

2.1.93. On 12 September Parliament issued an opinion⁵ on the proposal for a Directive⁶ amending the Directive of 16 June 1975 on the disposal of waste oils.²

Parliament states that it is extremely concerned about the conditions under which waste oils are currently disposed of in all Community countries and therefore welcomes the Commission's proposal that the collection as well as the disposal of waste oils should be subject to authorization. Parliament nevertheless notes that the proposal does not solve all present problems and calls

for a clear distinction to be drawn between legislation governing the use of waste oils and legislation concerning the disposal of hazardous wastes, and that this should be done by laying down maximum levels of contaminants to be permitted in reusable waste oils. It also calls for a clear-cut ban on the mixing of relatively uncontaminated waste oils with heavily contaminated waste oils and/or other substances and appropriate measures to ensure compliance. Parliament urges the Commission to extend the scope of the Directive on the shipment of hazardous waste⁷ to include non-reusable waste oil.

2.1.94. On 12 September Parliament adopted a resolution on measures to counteract the rising concentration of carbon dioxide in the atmosphere (the greenhouse effect) (→ point 2.4.11).⁵

Combating noise pollution

Building equipment

2.1.95. On 25 September the Commission sent the Council a proposal⁸ to amend its Directive of 17 September 1984 relating to the permissible sound power level of tower cranes.⁹ The amendment adds a permissible sound pressure level at the operator's position and defines the method for measuring it.

Protection and rational use of resources

Fauna and flora

Vertebrates

2.1.96. On 12 September Parliament issued an opinion,⁵ approved almost unan-

¹ COM(86) 505.

² OJ L 194, 25.7.1975.

³ Bull. EC 3-1986, point 2.1.102.

⁴ Belgium, Denmark, Federal Republic of Germany, Spain, France, Ireland, Netherlands, Portugal, United Kingdom, Iceland, Norway, Sweden.

⁵ OJ C 255, 13.10.1986.

⁶ OJ C 58, 6.3.1985; Bull. EC 1-1985, point 2.1.31.

⁷ OJ L 326, 13.12.1984; Bull. EC 6-1984, point 1.4.1.

⁸ OJ C 267, 23.10.1986; COM(86) 491.

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

imously, on the proposal for a Directive on the protection of animals used for experimental and other scientific purposes.¹

Parliament welcomes the Commission's proposal, but deplores the absence of specific rules for authorizing persons to carry out experiments, permitting projects involving animals or approving establishments where animals are bred or used. Parliament considers it indispensable that an authorization procedure be prescribed for any animal experiment. Lastly, it wishes to see greater emphasis placed on the development of alternative procedures which do not involve live animals.

Consumers

Physical protection and product safety

2.1.97. On 29 September the Commission adopted for transmission to the Council a proposal for a Directive on the approximation of the laws of the Member States concerning products which, appearing to be other than they are, endanger the health or safety of consumers.² An ever-increasing number of consumer products are being marketed which resemble other products and are therefore put to wrong and dangerous use. The products in question are either imitations of foodstuffs (such as erasers and soap which look like sweets, cosmetic products sold in containers imitating beer, champagne or soft drink bottles) or imitations of other consumer products (such as erasers resembling toothbrushes or lipsticks, alcoholic drinks sold in containers resembling electric light bulbs.

The purpose of the Directive proposed by the Commission is to ban the manufacture, importing, marketing and exporting of this type of product and to have them withdrawn from the market, so as to remedy the current situation, whose seriousness is acknowledged by consumer organizations, manufacturers, distributors and Member States alike.

Consumer information, education and representation

Consumers Consultative Committee

2.1.98. The Consumers Consultative Committee met on 23 and 24 September, when it was addressed by Mr Grigoris Varfis, Member of the Commission with special responsibility for consumer protection, on the future course of the Community's policy in this area. The Committee delivered opinions on the completion of the internal market and on unfair terms in contracts, and adopted a formal position on the situation on the pigmeat market.

Internal cooperation

2.1.99. Under the cooperation arrangements between the Commission and Sweden set out in an exchange of letters on 15 September 1980,³ a fifth meeting was held in Stockholm on 8 and 9 September.⁴

Developments in this field in both Sweden and the Community were studied, and a number of important subjects were broached, in particular accidents in the home and at leisure, product safety (especially of toys) and measures concerning the protection of children. Other items reviewed included consumer credit, package tours, control of advertising in the electronic media (with satellite television an imminent prospect) and simplified means of access to the courts.

Agriculture

Council

2.1.100. At its meeting of 15 and 16 September, the Council adopted by a qualified majority the Commission pro-

¹ OJ C 351, 31.12.1984; Bull. EC 12-1985, point 2.1.146.

² COM(86) 499 final.

³ Bull. EC 12-1980, point 2.1.77.

⁴ Fourth meeting; Bull. EC 6-1985, point 2.1.107.

posal to alter the agricultural conversion rates for the Irish pound, i.e. to dismantle MCAs by six points for animal products and by three points for plant products (→ point 2.1.102). The Council was, however, unable to reach a decision on alterations to the rules for calculating the MCAs in the eggs and poultry sector.¹ It therefore decided to extend for a further month the suspension of these MCAs.² An undertaking was given to find a permanent solution at the next Council meeting.

The Council adopted, by a qualified majority, the Regulation providing for a reduction in the levy on certain quantities of maize and sorghum imported from the United States, under the interim agreement concluded with the United States on 1 July on changes in the arrangements for importing those cereals into Spain following accession (→ point 2.2.10).

The Council reached agreement on the Commission proposal to extend for one year the period of financing for olive oil inspection agencies in Spain and Portugal.³

It decided that the Community's socio-structural legislation⁴ should be made applicable to the Canary Islands.²

Also by a qualified majority, the Council adopted a Directive on the control of residues and hormones in animals and fresh meat (→ point 2.1.122).

However, as at the Council meeting held in July,⁵ no agreement was reached on the proposal to sell cut-price butter to persons receiving social assistance.⁶

Finally, the Council heard a communication from the Commission together with specific proposals for urgent measures to be taken to improve control of milk production (→ points 2.1.103 to 2.1.109). Following an initial exchange of views, the Council acknowledged the urgency of reaching conclusions on the matter. However, serious reservations were expressed with regard to two of the proposed measures, namely the suspension of buying-in, in particular of butter, and the cancellation of the interregional offsetting of quantities produced in

relation to quotas. These items will figure on the agenda for the next Council meeting.

*

2.1.101. On 30 September the Council extended its Regulation of 30 May 1986 on the conditions governing imports of agricultural products originating in third countries following the accident at the Chernobyl nuclear power station (→ point 2.1.160).

Economic aspects of the common agricultural policy

Agrimonetary measures

2.1.102. On 16 September, acting on a proposal from the Commission,⁷ the Council decided on new agricultural conversion rates for Ireland,⁸ with effect from 22 September, in order to dismantle the monetary compensatory amounts (MCAs) for Ireland which were introduced as a result of the devaluation,⁹ on 2 August 1986, of the central rate for the Irish point. This decision involves reducing the MCAs for plant products by three points and those for animal products by six points, resulting in an increase in the official agricultural prices in Ireland of 2.795% and 5.842% respectively.

As a result of this change in the agricultural conversion rates applicable in Ireland, the Commission altered the MCAs for the sectors in question, also with effect from 22 September.¹⁰

¹ OJ C 159, 26.6.1986; Bull. EC 6-1986, point 2.1.17; Bull. EC 7/8-1986, point 2.1.138.

² OJ L 272, 24.9.1986.

³ OJ C 180, 18.7.1986.

⁴ OJ L 51, 23.2.1977; OJ L 372, 31.12.1985; OJ L 166, 23.6.1978; OJ L 93, 30.3.1985.

⁵ Bull. EC 7/8-1986, point 2.1.138.

⁶ Bull. EC 5-1986, point 2.1.127.

⁷ COM(85) 504 final.

⁸ OJ L 269, 20.9.1986.

⁹ Bull. EC 7/8-1986, point 2.1.4.

¹⁰ OJ L 270, 22.9.1986.

In order to avoid speculative trading in goods with Ireland, the Commission provided for transitional measures in the beef/veal and milk and milk products sectors.¹

Market organizations

Milk and milk products

Emergency action concerning milk

2.1.103. Although the introduction of a quota system in 1984² reversed the sharp upward movement in production of previous years, a better equilibrium between supply and demand for milk has still not yet been achieved. In fact, production has exceeded the quotas while consumption (internal and external) has declined.

As a result, the Community is now carrying such heavy stocks — butter and skimmed-milk powder — that emergency action must be taken without delay.

The Commission therefore proposed to the Council, on 12 September, a set of measures designed to tighten up the operation of the quota system and to render the intervention arrangements more flexible and more closely related to real market conditions.³

Structural disequilibrium

2.1.104. Despite the introduction of the quota system in 1984,² structural surpluses of milk persist. For 1985, the second year in which the quotas were applied, the surplus is estimated at about 8 million tonnes, and even at 12 million tonnes if special sales

of butter from intervention stock are counted in. The position is shown in Table 6.

The effective increase in milk surpluses is accounted for by the following main factors:

- (i) the quantities guaranteed were set at too high a level in terms of requirements;
- (ii) interregional offsetting introduced by the Council (Article 4a of Regulation No 857/4 of 31 March 1984² entailed an increase in deliveries not attracting the additional levy of more than 1 million tonnes;
- (iii) transfer of 'direct sales' quotas to 'deliveries' increase the latter by about 1 million tonnes;
- (iv) the individual reference quantities allocated to producers exceed the guaranteed overall quantity in certain Member States.

During the 1985/86 marketing year, milk collections increased by 0.7% over the preceding marketing year, and butter and skimmed-milk powder production increased by 2 and 4% respectively. By the end of the first quarter of 1986, there was an increase of 2% in milk collections, of more than 10% in butter production and of nearly 20% in skimmed-milk powder production as compared with the first quarter of 1985. At the same time, internal and external consumption are tending to decline, as competition from other exporting countries on the world market has increased.

Quota overruns

2.1.105. Quotas began to be exceeded from the second half of the 1985/86 marketing year onwards,⁴ and this trend continues, although there are distinct differences from Member State to Member State. On average (for the Ten), during the April

¹ OJ L 270, 22.9.1986.

² OJ L 90, 1.4.1984; Bull. EC 3-1984, point 1.2.4.

³ OJ C 254, 11.10.1986, COM(86) 510 final.

⁴ Bull. EC 6-1986, point 2.1.178.

Table 6 — *Position on milk surpluses*

	(million tonnes)			
	1982	1983	1984	1985
Production	107.7	111.9	109.2	107.3
Deliveries	99.7	103.7	101.4	99.7
Direct sales	3.9	3.8	3.6	3.4
Internal consumption ¹	85.4	82.4	88.0	84.8
Imports	2.6	2.5	2.4	2.4
Exports	12.4	10.0	12.7	12.2
Balance	8.4	17.6	12.9	8.5

¹ Including special sales of butter from intervention stock.

to June 1986 period, milk deliveries exceeded by 0.9% the total quotas allocated. For June 1986 alone, the same deliveries exceeded by 2.5% the guaranteed reference quantities calculated for June 1985.

The overruns are accounted for by two factors:

- (i) production costs are on average, in real terms, well below milk prices;
- (ii) the deterrent effect of the additional levy has been severely weakened by the arrangement for interregional offsetting of quotas.

In the Member States where there has been regional offsetting, the levy rate actually applied for the 1985/86 marketing year was often below 20%. The marginal cost of milk production being appreciably below the average cost, a levy of this scale is not threat to the profitability of the quantity exceeding the reference quantity.

The butter and milk powder balances

2.1.106. Through the market support machinery, the milk surpluses are converted into butter and skimmed-milk powder. The supply balances show clearly that consumption at market prices is stagnating, that subsidized disposal has increased and that stocks have risen substantially.

In the first eight months of 1986, about 570 000 tonnes of butter were offered to

public intervention. At the same time, more than 550 000 tonnes of skimmed-milk powder were sent to intervention, i.e. five times as much as during the same period of 1985. More than 90% of sales of skimmed milk and skimmed-milk powder are subsidized, or, in other words, only 10% of production is sold in the normal way on the market.

The present (end-September) level of butter stocks exceeds 1 500 000 tonnes, i.e. the equivalent of nearly a year's Community consumption.

Skimmed-milk powder stocks fell substantially during the 1983-85 period thanks to sales of 1.3 million tonnes for pig and poultry feed. But since then, they have been mounting sharply and are now running at more than 1 million tonnes. The end September level of stocks is given in Table 7.

Table 7 — *Stock situation in September 1986*

	(million tonnes)	
	Butter	Skimmed-milk powder
Public stocks	1 375	1 063
Private stocks	156	—
Total	1 531	1 063

2.1.107. Despite the programme launched by the Commission in November 1985 for the disposal of old stocks of butter, both on the internal market and abroad,¹ stocks of butter and skimmed-milk powder have continued to increase in 1986.

The proposed new measures

2.1.108. On 12 September, the Commission submitted proposals to the Council for a review of the permanent intervention arrangements.²

For butter, it proposes that the Commission be given power to suspend temporarily buying-in of butter in exceptional circumstances. In such cases, it goes without saying that the equilibrium of the butter market can be ensured by other means, such as measures for the direct disposal of fresh butter, a system of buying-in of limited quantities by tender procedure, or the strengthening of the private storage system.

For skimmed-milk powder it is proposed that this product be bought in only from 1 April to 30 September and that the Commission should have power to suspend buying-in temporarily in exceptional circumstances. During the periods of suspension, market equilibrium can be ensured by other means such as action with regard to aids to the use of skimmed-milk powder or a system of buying-in of limited quantities by tender procedure.

2.1.109. It has also put proposals to the Council designed to achieve better control of milk production. One proposal is for discontinuing the interregional offsetting (Article 4a of Regulation No 857/84 of 31 March 1984³) of quantities produced in relation to quotas. This measure will have an immediate impact on collections and consequently on the increase in stocks.

Also for the purposes of controlling production, on 26 September the Commission amended⁴ Article 9 of the Regulation of 16 May 1984⁵ so that the annual increase of 1 g of fat per kg of milk will no longer be allowed. The result of this amendment is, therefore, that farmers will no longer be

able to deliver annually within the same quota about 2.6% more fat. This means that, from now on, for milk which is richer in fat, the quantity delivered is increased by 0.26% for each 0.1 gram of additional fat per kg of milk.

Sugar

2.1.110. On 3 September, the Commission adopted a Regulation⁶ laying down detailed rules for the application of the measures adopted by the Council on 15 July 1986,⁷ allowing the sugar produced in the French overseas departments to be marketed in the European regions of the Community. These measures consist of Community aid for the transport and refining of such sugar, to be granted from 1 July 1986. These technical implementing rules for granting the aid determine the conditions applicable to proof, yield, payment and the calculation of certain flat-rate amounts defined by the Council together with the quantities eligible for refining aid during the 1986/87 marketing year.

Accession-related measures

2.1.111. Pursuant to the third paragraph of Article 303 of the Act of Accession of Portugal, and in view of the forward estimate of the supply of raw sugar for 1986/87, the Commission authorized Portugal on 3 September to import at a reduced levy during that period 94 000 tonnes expressed as white sugar.⁶

Wine

2.1.112. On 15 September the Commission forwarded to the Council a report on the use of grape must in feedingsuffs⁸

¹ Bull. EC 6-1986, point 2.1.173 *et seq.*

² OJ C 254, 11.10.1986, COM(86) 510 final.

³ OJ L 90, 1.4.1984; Bull. EC 3-1984, point 1.2.4.

⁴ OJ L 276, 27.9.1986.

⁵ OJ L 132, 18.5.1984; Bull. EC 5-1984, point 2.1.125.

⁶ OJ L 253, 5.9.1986.

⁷ OJ L 194, 17.7.1986.

⁸ OJ C 243, 27.9.1986; COM(86) 460 final.

and a proposal for an amendment to the basic Regulation on wine¹ which would enable the aid granted in the wine sector to be extended to this use of grape must. The amount of such aid should not exceed that granted for table wine under the preventive distillation scheme.

2.1.113. On 23 September the Commission forwarded to the Council a proposal to extend until 31 August 1991 the transitional period during which the names of certain specified regions may be used to describe table wines.² The Commission also proposed that the same rules should apply both to sparkling wines and to aerated sparkling wines as regards the description on the label of the residual sugar content as a characteristic of such wines.

2.1.114. Having received the opinion of Parliament,³ the Commission sent to the Council, on 25 September, an amendment⁴ to its proposal for a Regulation laying down general rules on the definition, description and presentation of spirituous beverages, vermouths and other wines of fresh grapes flavoured with plants or other aromatic substances.⁵ This proposal provides, in particular, for a requirement that the place of origin or manufacture of vermouths and other spirituous beverages should be stated, given the importance of such a statement for a great number of beverages manufactured in traditional ways. Such compulsory labelling will provide valuable protection for consumers' interests.

2.1.115. On 25 September the Commission sent the Council its report (for 1983/84) on foreseeable trends in the planting and replanting of vineyards in the Community and on the balance of production and consumption in the wine sector.⁶

2.1.116. On 4 September⁷ the Commission extended indefinitely the period of application of the conditions of use of ion-exchange resins in the preparation of rectified concentrated grape must,⁸ since it is difficult to predict when work at Community level in this area will be finished.

2.1.117. On 3 September the Commission added Rheingau to the list of wine-growing regions in zone A in which tartaric acid may be used for the deacidification of wine products.⁹ This region had been omitted by mistake from the original list.¹⁰

2.1.118. On 18 September it amended¹¹ the Regulation on the organization of campaigns to promote the consumption of grape juice¹² to take account of the delays involved in the procedure for signing contracts and laid down that the completion periods for the measures concerned should begin from the date on which it receives the programme.

2.1.119. On 29 September it deferred from 31 August to 30 September 1986¹³ the final date for 'support' distillation operations¹⁴ for the 1985/86 wine year, since the period set for the submission of contracts for approval had been extended.

Cereals

2.1.120. On 11 September Parliament adopted a resolution on the serious damage caused by bad weather to cereal crops in Spain (→ point 2.4.11).¹⁵

Structures

Socio-structural measures

2.1.121. On 18 September the Economic and Social Committee adopted an opinion

¹ OJ L 54, 5.3.1979.

² OJ C 248, 4.10.1986; COM(86) 479 final.

³ OJ C 127, 4.5.1984.

⁴ COM(86) 159 final.

⁵ OJ C 189, 23.7.1982.

⁶ COM(86) 482 final.

⁷ OJ L 253, 5.9.1986.

⁸ OJ L 224, 21.8.1984.

⁹ OJ L 252, 4.9.1986.

¹⁰ OJ L 180, 4.7.1986.

¹¹ OJ L 267, 19.9.1986.

¹² OJ L 332, 10.12.1985; OJ L 208, 31.7.1986.

¹³ OJ L 279, 30.9.1986; COM(86) 1722.

¹⁴ OJ L 80, 25.3.1986; Bull. EC 3-1986, pint 2.1.132; OJ L 103, 19.4.1986; Bull. EC 4-1986, point 2.1.119.

¹⁵ OJ C 255, 13.10.1986.

(→ point 2.4.36) on the proposal¹ to amend the Regulations of 12 March 1985 (797/85),² 6 February 1979 (270/79),³ 19 June 1978 (1360/78)⁴ and 15 February 1977 (355/77)⁵ as regards agricultural structures, in order to adjust agriculture to the new market situation and to preserve the countryside.

Legislation

Veterinary and animal husbandry legislation

2.1.122. On 16 September the Council adopted a Commission proposal⁶ for a Directive concerning the examination of animals and fresh meat for the presence of residues.⁷ A broad consensus had been reached on this measure in June.⁸ The Directive lays down general arrangements for residue control. These arrangements apply both to products intended for the national market of Member States and to those intended for intra-Community trade. Each Member State must submit to the Commission by 31 May 1987 (hormones) or 31 May 1988 (other residues, antibiotics and medicinal substances) a plan setting out the national measures to be taken to achieve the stated objective of the Directive. These plans must take into account the specific situation of each Member State. They must be approved, or amended if necessary, by the Commission by 30 September 1987 (hormones) or by 30 September 1988 (other residues, antibiotics and medicinal substances). They must be implemented not later than 31 December 1987 or 31 December 1988. The adoption of a harmonized set of rules in the Community has led to the introduction of arrangements for imports from outside the Community, offering equivalent guarantees. Finally, the Directive provides for certain procedures necessary to establish close cooperation between the Member States.

This Directive on residues forms an essential part of the harmonization of Community legislation on animal products. It

must guarantee efficient controls, in particular for the use of substances having a hormonal or thyrostatic action. It also supplements the legislation controlling the use of anabolic substances in animals.⁹

2.1.123. Since the outbreak of foot-and-mouth disease in Italy is persisting,¹⁰ on 4 September the Commission adopted a new Decision.¹¹ The prohibition on Community trade now covers all live animals (of the bovine and porcine species), bone-in meat and offal. As regards de-boned meat and certain meat products, the Decision confirms the previous arrangements whereby restrictive measures were applied automatically, for three months, to any local health unit affected by the disease and to all local health units sharing a common boundary with those affected.

Competition

2.1.124. Under the terms of Articles 92 to 94 of the EEC Treaty, the Commission decided not to oppose the introduction of the following proposed schemes which had been duly notified.

Germany

Measures to promote wine sales.

Rhineland Palatinate

Measures to promote renting and purchasing land with reference quantities for milk deliveries.

¹ Bull. EC 4-1986, point 1.3.1. *et seq.*

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

³ OJ L 38, 14.2.1979.

⁴ OJ L 166, 23.6.1978.

⁵ OJ L 51, 23.2.1977; OJ L 53, 25.2.1977.

⁶ OJ C 132, 31.5.1985; Bull. EC 6-1985, point 2.1.127.

⁷ OJ L 275, 26.9.1986.

⁸ Bull. EC 6-1986, point 2.1.203.

⁹ OJ L 222, 7.8.1981; Bull. EC 7/8-1981, point 2.1.76; OJ L 382, 31.12.1985; Bull. EC 12-1985, point 2.1.173.

¹⁰ Bull. EC 7/8-1986, point 2.1.166.

¹¹ OJ L 259, 11.9.1986.

North Rhine-Westphalia

Schemes to assist farmers in less-favoured areas; aid for deer farming.

Bavaria

Aid for the construction of a slaughterhouse.

Lower Saxony

Aid for introducing home helps (aid for the rational use of staff required by farmers in case of illness).

Aid schemes to compensate for livestock lost as a result of disease and to cover the cost of combating certain diseases.

Spain

Aid for wine growers affected by the frosts of April 1986.

France

Aid from Ofival for stimulating production of horse meat and rabbit meat (investment aid and various aids for producers' associations).

Ireland

Working capital scheme.

United Kingdom

Agricultural and horticultural training scheme.

Isle of man

Aid for lime supplies in 1986; it is proposed, however, that the aid should be paid only if assurance is given that the liming operation for which the aid is granted leads to lasting land improvement.

2.1.125. The Commission also recommended, under Article 93(3) of the Treaty, that France should not grant aid for horse meat (suckling aid for foals, aid per holding, per filly, etc.) and that the aid for purchasing stud horses should be limited to pure-bred breeding animals registered in studbooks and should not exceed 40% of expenditure.

European Agricultural Guidance and Guarantee Fund

Guarantee Section

2.1.126. On 3 September, the Commission amended¹ Regulation No 467/77 of 7 March 1977 on the method and the rate of interest to be used for calculating the costs of financing intervention measures comprising buying-in, storage and disposal.²

To facilitate disposal of public stocks, the Commission must, in certain cases, provide that payment for a product be made following a certain period after the purchaser has removed it from store. The March 1977 Regulation has been amended so that interest charges can continue to be paid to the intervention agencies until the date on which the purchaser pays for the product.

2.1.127. On 11 September, Parliament passed two resolutions on the worsening situation faced by farmers in Ireland as a result of the very bad weather which they have experienced for the second consecutive summer (→ point 2.4.11).³

2.1.128. It also passed on 11 September a series of resolutions on forest fires in the Mediterranean areas of the Community and on the urgent need for better protection of woodlands against fire (→ point 2.4.11).³

¹ OJ L 252, 4.9.1986.

² OJ L 62, 8.3.1977.

³ OJ C 255, 13.10.1986.

2.1.129. Finally, Parliament passed, on 11 September, a resolution on the effects of drought on agriculture in certain areas (→ point 2.4.11).¹

Fisheries

Council

2.1.130. At its meeting on 22 and 23 September the Council reached a majority political agreement on a compromise proposal² to replace Regulation (EEC) No 171/83 laying down certain technical measures for the conservation of fishery resources in the Community.³ The proposed new measures, which are due to come into force on 1 January 1987, concern the mesh sizes which may be used in the North Sea, the conditions to govern fishing within the 12-mile coastal zones (lists of authorized vessels) and fishing for hake and Norway lobster in the Bay of Biscay.

The Council, acting by qualified majority on a proposal from the Commission,⁴ also adopted a Regulation extending to the Canary Islands⁵ the applicability of Council Regulation (EEC) No 2908/83 of 4 October 1983 on a common measure for restructuring, modernizing and developing the fishing industry and for developing aquaculture.⁶

Resources

Internal aspects

Community measures

2.1.131. The Scientific and Technical Committee for Fisheries met from 8 to 12 September and drew up a report⁷ containing scientific notes for each species, with a breakdown by stock and by region, to serve as a basis for determining the optimum level of fishing in Community waters.

Control measures

2.1.132. On 12 September the Commission presented to the Council a proposal⁸ amending for the third time⁹ Regulation (EEC) No 2057/82 establishing certain control measures for fishing activities by vessels of the Member States.¹⁰ The purpose of these new amendments, which are based on the experience gained since agreement was reached on the common fisheries policy¹¹ and which were announced in a report from the Commission to the Council on 12 June this year,¹² is to strengthen and widen the scope of the national and Community control measures.

Technical measures

2.1.133. On 22 September the Council adopted a Regulation¹³ on the definition of vessel characteristics, with special reference to fishing vessels.¹⁴

Prohibition measures

2.1.134. On the basis of information received from the national authorities concerning the exhaustion of certain quotas, the Commission prohibited:

- (i) Spanish vessels from fishing for anglerfish in ICES subarea VII on 13 September;¹⁵
- (ii) Dutch vessels from fishing for cod in ICES division IIIa (Skagerrak) on 13 September;¹⁵

¹ OJ C 255, 13.10.1986.

² Basic proposal: COM(85) 710 final.

³ OJ L 24, 27.1.1983; Bull. EC 1-1983, point 1.1.6.

⁴ COM(86) 464 final.

⁵ OJ L 279, 30.9.1986.

⁶ OJ L 169, 28.6.1983; OJ L 361, 31.12.1985.

⁷ Twelfth Report of the Scientific and Technical Committee for Fisheries: SEC(86) 1577 of 26 September 1986.

⁸ COM(86) 474 final.

⁹ OJ L 169, 28.6.1983; OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.185.

¹⁰ OJ L 220, 29.7.1982; Bull. EC 6-1982, point 2.1.129.

¹¹ Bull. EC 1-1983, point 1.1.1 *et seq.*

¹² Bull. EC 6-1986, point 2.1.208.

¹³ OJ L 274, 25.9.1986.

¹⁴ OJ C 356, 31.12.1985; Bull. EC 1-1986, point 2.1.117.

¹⁵ OJ L 261, 13.9.1986.

(iii) Belgian vessels from fishing for cod in ICES division Vb (EC zone) and subareas VI, XII and XIV on 19 September.¹

2.1.135. On 19 September, after the United Kingdom authorities had checked the latest catch figures for the stock concerned, the Commission repealed² its Regulation of 11 July 1986³ so that United Kingdom vessels could resume fishing for saithe in ICES subareas VII, VIII, IX and X and in CEEAF division 34.1.1 (EC zone).

National measures

Protection of local stocks

2.1.136. On 15 September the Commission, acting under Article 19 of Regulation (EEC) No 171/83,⁴ approved a United Kingdom Order placing certain seasonal restrictions on scallop fishing by United Kingdom vessels in certain areas of the Irish Sea, the limits of such areas being defined in the order.

Implementation of Community rules

2.1.137. On 29 September the Commission took note of a draft United Kingdom Order 1986, the purpose of which is to ensure compliance with certain technical and control measures applicable to the fishing activities of Spanish and Portuguese vessels in United Kingdom waters. These measures were laid down in Commission Regulation (EEC) No 3531/85 of 12 December 1985,⁵ Commission Regulation (EEC) No 3715/85 of 27 December 1985⁶ and Council Regulation (EEC) No 3780/85 of 31 December 1985⁷ to take account of the accession of Spain and Portugal.

External aspects

Bilateral relations

Guinea-Bissau

2.1.138. On 8 September the Council, acting on a proposal from the Commission,⁸

approved an Agreement⁹ in the form of an Exchange of Letters concerning the provisional application, from 16 June 1986, of the Agreement amending for the second time the Agreement between the Community and Guinea-Bissau on fishing off the coast of the latter,¹⁰ together with the new Protocol, which was initialled in Bissau on 22 May 1986.¹¹

Cape Verde

2.1.139. On 18 and 19 September a first round of negotiations took place in Praia to prepare a fisheries agreement between the Community and Cape Verde. Further discussions are to be held in the near future.

Multilateral relations

2.1.140. The Commission represented the Community, in its capacity as a member:

(i) at the twelfth annual meeting¹² of the International Baltic Sea Fishery Commission, held in Warsaw, Poland, from 15 to 20 September;

(ii) at the eighth annual meeting¹³ of the Northwest Atlantic Fisheries Organization, held in Halifax, Canada, from 8 to 12 September;

(iii) at the fifth meeting of the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR), held in Hobart, Australia from 8 to 19 September.

Markets and structures

Market organization

2.1.141. On 18 September the Commission sent the Council a report concern-

¹ OJ L 267, 19.9.1986.

² OJ L 271, 23.9.1986.

³ OJ L 190, 12.7.1986; Bull. EC 7/8-1986, point 2.1.185.

⁴ OJ L 24, 27.1.1983.

⁵ OJ L 336, 14.12.1985; Bull. EC 12-1985, point 2.1.187.

⁶ OJ L 360, 31.12.1985; Bull. EC 12-1985, point 2.1.187.

⁷ OJ L 363, 31.12.1985.

⁸ OJ C 197, 16.8.1986; Bull. EC 7/8-1986, point 2.1.188.

⁹ OJ L 261, 13.9.1986.

¹⁰ OJ L 84, 30.3.1983; Bull. EC 3-1983, point 2.1.132.

¹¹ Bull. EC 5-1986, point 2.1.151.

¹² Eleventh meeting; Bull. EC 9-1985, point 2.1.111.

¹³ Seventh meeting; Bull. EC 9-1985, point 2.1.111.

ing the Community rules on the importation of certain white fish.¹ It examines the Community's supply situation (production and imports) for white fish and reviews all the basic elements of the import arrangements (CCT duties, suspensions and quotas). The report also puts the question of the opening of autonomous quotas and suspensions in a more general perspective than the tariff context alone. By way of conclusion it is suggested that decisions on autonomous tariff reductions should be subject to a number of conditions which allow for the interests of the various trade interests involved and of the Community as a whole.

Structures

2.1.142. As announced in its communication of 12 June 1986 on guidelines and initiatives for the development of the common fisheries policy,² the Commission sent to the Council on 18 September a proposal for a Regulation on Community measures to improve and adapt structures in the fisheries and aquaculture sectors.³

The purpose of this proposal is to define the legal framework for the policy on fisheries structures over the next 10 years. It provides in the first place for the restructuring, renewal and modernization of the Community fishing fleet, for structural works in coastal waters for the adjustment of capacities under multiannual programmes, thus imparting the appropriate direction to the overall development of the fisheries sector in the long term.

The Community measures also cover exploratory fishing, joint ventures, port facilities and the search for new markets.

Thirdly, provision is made for establishing a Community register of fishing vessels and for implementing a number of specific new measures with a view to improving the efficiency and flexibility of Community aid.

Community expenditure on the implementation of these measures is estimated at 850 million ECU over the first five-year period (1987-91).

2.1.143. Pursuant to Council Regulation (EEC) No 2908/83 of 4 October 1983 on a common measure for restructuring, modernizing and developing the fishing industry and for developing aquaculture,⁴ the Commission approved on 5 September the guidance programme submitted by Spain for its fishing fleet in 1986.⁵

Transport

2.1.144. On 12 September Parliament adopted a resolution on liberalization and harmonization in the field of transport (→ point 2.4.11).⁶

Infrastructure

2.1.145. On 18 September the Economic and Social Committee gave its opinion (→ point 2.4.38) on the Commission communication to the Council concerning a medium-term transport infrastructure programme and on the proposal for a Council Regulation on financial support within the framework of this programme.⁷

Inland transport

Railways

International cooperation

2.1.146. On 26 September the Commission sent the Council a report on the harmonization of fare reductions granted on commercial and social grounds to certain categories of passenger on international rail services.⁸ In its 1982 action programme

¹ COM(86) 476 final.

² Bull. EC 6-1985, point 2.1.207.

³ COM(86) 446 final.

⁴ OJ L 290, 22.10.1983.

⁵ OJ L 279, 30.9.1986.

⁶ OJ C 255, 13.10.1986.

⁷ Bull. EC 6-1986, point 2.1.221.

⁸ COM(86) 481 final.

for international railway cooperation¹ the Commission gave an undertaking to investigate, together with governments, ways of harmonizing the concessionary fares offered by the railways to certain categories of passenger.

Road transport

Access to the market

2.1.147. On 30 September the Commission decided to allocate to Member States extra Community authorizations for the carriage of goods by road between Member States for 1987.² This decision involves an increase of 15% in the Community quota compared with 1986 and an adjustment to the number of authorizations assigned to some Member States.

2.1.148. On 12 September Parliament delivered an opinion³ on the proposal for a Council Regulation laying down the conditions under which non-resident carriers may operate national road haulage services within a Member State.⁴ Parliament endorses the Commission's proposal but underlines the need to eliminate at the same time distortions of competition by harmonizing tax burdens and the principles for charging infrastructure costs and by bringing national policies on capacity into line. It calls on the Commission to present appropriate proposals and to carry out a study of the various rules governing access to national transport markets in the Member States ('cabotage'), so that non-resident carriers know in advance the requirements they will have to fulfil to perform national transport services in another Member State.

Technical aspects

Road safety

2.1.149. On 24 and 25 September, as part of European Road Safety Year,⁵ the Commission, in conjunction with the Belgian Ministry of Transport, organized an international symposium on roadworthiness

testing which was attended by European experts. Various topics connected with the roadworthiness testing of vehicles were examined, in particular with a view to assisting the Commission and Member States in their discussions of the Commission's proposal to the Council on the subject.⁶

Inland waterways

Access to the market

2.1.150. On 12 September Parliament delivered an opinion⁷ on the proposal for a Regulation laying down the conditions under which non-resident carriers may transport goods or passengers by inland waterway within a Member State.⁷ Parliament endorses the proposal subject to the condition that the Commission propose immediately Community rules on the restriction of capacity in inland motorways. It calls on the Commission to prepare and present proposals for a whole series of support measures, in particular to deal with the social problems that will arise, notably for private carriers, as a result of the proposed Regulation.⁸ It also urges the Council to approve as quickly as possible the proposals on access to the occupation of carrier by waterway and on the mutual recognition of diplomas, certificates and other evidence of formal qualifications for this occupation.⁹

2.1.151. On 18 September the Economic and Social Committee delivered an opinion on this proposal⁷ for a Regulation (→ point 2.4.37).

Sea transport

2.1.152. On 25 September the Commission sent the Council a communication

¹ Bull. EC 5-1982, point 2.1.137.

² OJ L 285, 8.10.1986.

³ OJ C 255, 13.10.1986.

⁴ OJ C 349, 31.12.1985; Bull. EC 11-1985, point 2.1.166.

⁵ OJ C 11, 17.1.1986; Bull. EC 11-1985, point 2.1.168.

⁶ OJ C 133, 31.5.1986; Bull. EC 4-1986, point 2.1.151.

⁷ OJ C 331, 20.12.1985; Bull. EC 11-1985, point 2.1.166.

⁸ OJ C 259, 12.11.1975; OJ C 206, 16.8.1979.

⁹ OJ C 351, 24.12.1983; Bull. EC 12-1983, point 2.1.196.

on the United Nations Convention on Conditions for the Registration of Ships,¹ accompanied by a proposal for a Decision on the common position to be adopted by the Member States when signing and ratifying this Convention.

2.1.153. On 11 September Parliament passed a resolution² on the third Memorandum from the Commission to the Council entitled 'Progress towards a common transport policy — maritime transport'³ and on the series of specific proposals which accompanied it.

Parliament considers that Community shipping policy should be based on the observance of free and fair competition, on the removal of restrictions on the freedom to provide services and on the prohibition of discrimination in flag policy and Community trading policy. Regarding port policy, Parliament requests the Commission to set up a system of coastal State control of vessels carrying hazardous cargoes, supplemented by a surveillance system similar to that used for air transport. It also asks for distortions in competition between ports to be eliminated. As regards safety at sea and marine pollution, it is of the opinion that the Commission should transpose into a directive the Memorandum of Understanding on Port State Control. Regarding the social aspects of shipping, Parliament emphasizes in particular the International Maritime Consultative Organization Convention on standards of training, certification and watchkeeping for seafarers and the Convention on safety at sea which defines crew size. It invites the Commission to examine the consequences of employing non-Community crews on Community vessels. It also asks the Commission to present proposals that would reverse the trend of 'flagging out' and offer an effective solution to the problem caused by the advantages of 'flags of convenience' shipping. Concerning free access to ocean trade, diplomatic measures and consultation with all interested parties are required before resorting to counter-measures in retaliation for unjustified actions by other countries. Parliament also considers that the principle of freedom

to provide services should be applied to maritime transport, although it accepts that Member States should be allowed to restrict their coastal trade to ships flying their own flag.

It also comments on the application of Articles 85 and 86 of the EEC Treaty to shipping and considers that the legal basis of the Regulation is not clear. Finally, regarding unfair practices, Parliament stresses the urgent need to provide the Community with measures enabling it effectively to combat unfair pricing practices by non-Community carriers.

Energy

Formulating and implementing a Community energy policy

Community energy objectives for 1995

2.1.154. On 16 September, after obtaining the opinions of Parliament,⁴ the Economic and Social Committee⁵ and the ECSC Consultative Committee,⁶ the Council adopted a Resolution concerning new Community energy policy objectives for 1995.⁷ The broad lines of approach set out in the resolution are based on past analyses, notably the 1984 review of the Member State's energy policies,⁸ the Community's illustrative nuclear programme⁹ and the Commission survey of energy market prospects up to the year 2000.¹⁰

¹ COM(86) 523 final.

² OJ C 255, 13.10.1986.

³ OJ C 212, 23.8.1985; Supplement 5/1985 — Bull. EC; Bull. EC 4-1985, points 1.2.1 to 1.2.4.

⁴ OJ C 88, 14.4.1986; Bull. EC 3-1986, point 2.1.153.

⁵ OJ C 330, 20.12.1985; Bull. EC 10-1985, point 2.5.53.

⁶ OJ C 190, 30.7.1985; Bull. EC 6-1985, point 2.5.25.

⁷ OJ C 241, 25.9.1986; Commission draft: Bull. EC 5-1985, point 2.1.106.

⁸ Bull. EC 2-1984, point 2.1.152.

⁹ Bull. EC 11-1984, point 2.1.144.

¹⁰ Bull. EC 12-1984, point 2.1.211.

The main energy objectives for 1995 are:

- (i) to limit oil consumption to about 40% of total energy consumption;
- (ii) to limit dependence on net oil imports to one-third of total energy consumption;
- (iii) to improve energy efficiency by at least 20%;
- (iv) to reduce the proportion of electricity generated from oil to less than 15%;
- (v) to boost the competitiveness of solid fuel productions in the Community;
- (vi) to consolidate the market share of natural gas;
- (vii) to increase substantially the contribution made by new and renewable sources, in place of conventional ones.

Achievement of these objectives would make the Community less vulnerable to any shortages of supply or price increases in the future. To ensure that the objectives are met, the Commission will check that the national energy policies are kept in line with these objectives and report back to the Council on its findings.

After adopting the Resolution, the Council published this declaration:

'The Council adopted in the official languages of the Communities a Resolution ... on new Community energy policy objectives for 1995 and on convergence of the policies of the Member States.

It should be recalled that in June 1980 the Community adopted objectives which were valid until 1990 and which constituted one of the essential features of a better utilization of the different sources of energy throughout the Community.¹

The objectives which have just been adopted and which now relate to 1995 are mainly intended to bring the objectives fixed earlier up to date, whilst regarding it as essential that the substantial progress made so far in restructuring the energy economy should be maintained and, if necessary, reinforced within the Community.

These same objectives constitute illustrative guidelines for Community action and national policies without having any resemblance to rigid planning instruments; their extensiveness is accompanied by sufficient flexibility to response to changes which may alter the energy market.'

Specific problems

Solid fuels

Market outlook

2.1.155. On 16 September the Commission updated its February report on the outlook for the market for solid fuels in the Community for 1986.² Earlier the ECSC Consultative Committee had been consulted on the revised report (→ point 2.4.41).

In 1986 hard coal supplies, at 335.7 million tonnes, have increased by only 13.7 million tonnes over 1985, by a combination of increased production (in the United Kingdom in particular) and lower recoveries and imports from non-Community countries. Falling oil prices (which at USD 10 a barrel in July stood 70% lower than the 1985 average), coupled with a 10% fall in the value of the dollar over the first six months of the year drove down prices for other fuels, and in particular for coal. These falling oil prices could perhaps trigger a 2 to 3% increase in demand for oil, at the expense of all other sources except nuclear power and, to a lesser extent, natural gas, while overall energy demand in the Community is growing by 2 to 3% compared with 2.8% in 1984 and 3.1% in 1985.

Nuclear energy

The International Atomic Energy Agency on the Chernobyl accident

2.1.156. From 24 to 26 September, five months after the accident at the Chernobyl nuclear power station,³ the general conference of the International Atomic Energy Agency (IAEA) adopted two international conventions, one on rapid notification of nuclear accidents, the other on assistance in the event of nuclear accidents (→ point 2.1.161).

¹ OJ C 149, 18.6.1980; Bull. EC 6-1980, point 2.1.140.

² OJ C 117, 17.5.1986; Bull. EC 2-1986, point 2.1.151.

³ Bull. EC 5-1986, point 1.1.1 *et seq.*

Energy saving

2.1.157. On 15 September the Council adopted a Resolution on improving energy efficiency in industrial firms in the Member States,¹ based on the Commission communication on the subject.² This Council Resolution follows up earlier ones recommending guidelines for a basic energy saving programme.³ It urges the Member States to continue their efforts to improve energy efficiency, even in the present climate of falling energy prices.

The Commission will continue working along these lines, with particular emphasis on:

- (i) research, development and demonstration;
- (ii) exchanges of information;
- (iii) opening up the Sesame data base;
- (iv) analysing energy flows in small businesses as part of the Energy Bus programme;
- (v) continuing the series of energy audits for each major sector of industry;
- (vi) providing incentives to market new energy-saving products or techniques;
- (vii) making sure that the new financing arrangements are better publicized.

Alternative sources of energy savings

2.1.158. On 12 and 17 September the Commission informed the Council of its decisions of 9 and 10 September implementing the Regulation of 20 December 1985 on the promotion, by financial support, of demonstration projects and industrial pilot projects in the energy field:⁴

- (i) the first grants financial support totalling 18.4 million ECU to the whole, or certain phases, of six industrial pilot or demonstration projects on the liquefaction and gasification of solid fuels;
- (ii) the second grants financial support totalling 15.2 million ECU to the whole, or certain phases, of 17 demonstration projects

on the substitution of hydrocarbons by solid fuels.

All the projects were selected from the applications received by the Commission in response to the invitation to submit proposals published on 3 January.⁵

Relations with energy-producing and energy-importing non-member countries

Informal meeting with the Gulf Cooperation Council

2.1.159. To foster links between the Gulf Cooperation Council (GCC) and the Commission, an informal meeting on energy was held in Brussels on 22 and 23 September. The GCC delegation was headed by Mr Suleiman Jasir al-Herbish, Saudi Arabian deputy vice-minister for petroleum and mineral resources and head of the GCC working party on energy, and the Commission delegation by Mr C. J. Audland, Director-General for Energy. They held a broad exchange of views on the energy policies of the Community and of the GCC, gave their analysis of the energy situation and its impact on the economies of the two regions and discussed the question of refining and trade in crude oil and petroleum products between the two areas.

Finally, both sides agreed that these informal exchanges of views were beneficial and should be continued. The next meeting will be held in Riyadh in 1987.

Nuclear safety

Radiation protection

Establishment of general tolerance limits for specific categories of foodstuffs

2.1.160. On 30 September the Council extended until 28 February 1987⁶ the

¹ OJ C 240, 24.9.1986.

² Bull. EC 5-1986, point 2.1.168.

³ OJ C 149, 18.6.1980; Bull. EC 6-1980, point 2.1.140; OJ C 20, 22.1.1985; Bull. EC 1-1985, point 2.1.68.

⁴ OJ L 350, 27.12.1985; Bull. EC 12-1985, point 2.1.226.

⁵ OJ C 1, 3.1.1986; Bull. EC 12-1985, point 2.1.227.

⁶ OJ L 280, 1.10.1986.

Regulation it adopted on 30 May on the conditions governing imports of agricultural products originating in non-member countries¹ following the Chernobyl accident.²

International cooperation

2.1.161. From 24 to 26 September, exactly five months after the accident at the Chernobyl power station, the General Conference of the International Atomic Energy Agency (IAEA) held a special session in Vienna.

The conference adopted two international agreements on:

- (i) early notification of a nuclear accident: this agreement will place all signatory States under the obligation to report any nuclear accident that is liable to have repercussions beyond their frontiers;
- (ii) assistance in the event of nuclear accidents: this agreement covers mutual assistance should an accident of this type occur.

Of the 94 States represented, over 50 signed the agreements on the spot. Many other countries stated that they would do so in the near future.

It should be noted that all Community Member States have already signed the first agreement, and all except Luxembourg the second one.

More outstandingly, the conference adopted, by consensus, a resolution on nuclear safety which begins by acknowledging that nuclear power will continue to be a major energy source, to the benefit of economic and social development. All countries, including those which have chosen not to develop nuclear power themselves, endorsed this resolution. The con-

sensus was made possible by the inclusion, in a second resolution, of a reference to all the points of contention, and in particular the thorny problem of compensation and third-party liability. The Board of Governors is to report to next year's General Conference on the implementation of that second resolution.

Mr Nicolas Mosar, Member of the Commission with responsibility for energy, represented the Commission at the session. After each Member State had voiced its opinion, he presented the Community view. The main points he dealt with in his speech were as follows:

- (i) an overview of the status of nuclear energy in the Community. Nuclear power currently accounts for 35% of the Member States' total electricity production;
- (ii) recognition of the role of the IAEA;
- (iii) a description of the Community's contribution to international cooperation in the radiation protection and nuclear safety fields;
- (iv) statement of the Commission's dual conviction regarding the future of nuclear energy in the Community: the need to ensure optimum safety and the need to maintain the nuclear option.

*

2.1.162. On 11 September the European Parliament adopted four resolutions, concerning the Cattenom nuclear power station, the consequences of the Chernobyl reactor accident and health protection measures to be taken in its wake (→ point 2.4.11).³

¹ OJ L 146, 31.5.1986; Bull. EC 5-1986, point 1.1.3.

² Bull. EC 5-1986, point 1.1.1 *et seq.*

³ OJ C 255, 13.10.1986.

2. External relations

New multilateral trade negotiations

Launch of a new round of negotiations

2.2.1. Following a week of intensive discussions (15-20 September) the ministers representing the 92 nations participating in the conference in Punta del Este (Uruguay) decided in favour of launching a new round of multilateral trade negotiations, the 'Uruguay Round', scheduled to last four years. The Punta del Este ministerial declaration lays down the aims, subjects and methods of the negotiations (→ point 1.4.1 *et seq.*).

Mr Enrique Iglesias, Uruguay's Foreign Minister, chaired the conference and Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy, represented the Community.

2.2.2. On 9 September Parliament passed a resolution concerning the new multilateral negotiations (→ point 2.4.11).¹

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 opened the following quotas:

Spain-Poland: stereophonic radio tuners not capable of operating without an external source of power;³

Spain-People's Republic of China: television receivers for black and white;³

Italy-Hungary: natural honey;⁴

Italy-Czechoslovakia: footwear of rubber and/or of rubberized textile fabric;⁴

Italy-German Democratic Republic: synthetic organic dyestuffs;⁴

Italy-Romania: unwrought aluminium;⁵

Spain-Bulgaria: tylosin hydrogen tartrate and 3-methyl-1-phenyl-5-pyrazolone;⁶

Spain-Czechoslovakia: 4,4'-dinitrostilbene-2,2'-disulphonic acid;⁶

Spain-People's Republic of China: kanamycin, griseofulvin and gentamicin;⁶

Denmark-Poland / Soviet Union / German Democratic Republic: unworked drawn or blown glass (including flashed glass), in rectangles;⁷

Benelux-Albania: textile products (categories 6 and 8);⁸

Benelux-German Democratic Republic: textile products (categories 19 and 29);⁸

Trade protection

2.2.4. The trade protection measures taken in September are shown in Table 8.

¹ OJ C 255, 13.10.1986.

² OJ L 346, 8.12.1983.

³ OJ C 200, 9.8.1986.

⁴ OJ C 208, 19.8.1986.

⁵ OJ C 216, 27.8.1986.

⁶ OJ C 236, 18.9.1986.

⁷ OJ C 241, 25.9.1986.

⁸ OJ C 243, 27.9.1986.

Table 8 — Trade protection measures

Council	Commission ¹
<p><i>Anti-dumping measures</i></p> <p><i>Repeal of the Regulation accepting the undertakings given by exporters in Bulgaria, Czechoslovakia, the German Democratic Republic, Poland and Romania in connection with the anti-dumping proceeding concerning imports of:</i></p> <p>Standardized multi-phase electric motors having an output of more than 0.75 kW but not more than 75 kW originating in those countries OJ L 280, 1.10.1986 (acceptance of undertakings: OJ L 220, 29.7.1982 and OJ L 123, 9.5.1984; reopening of proceeding: OJ C 305, 26.11.1985)</p> <p><i>Acceptance of undertakings given in connection with the anti-dumping proceeding and termination of the investigation concerning imports of:</i></p> <p>Certain acrylic fibres originating in Israel, Mexico, Romania or Turkey OJ L 272, 24.9.1986 (Notice of initiation: OJ C 159, 29.6.1985)</p>	<p><i>Anti-dumping measures</i></p> <p><i>Provisional anti-dumping duty on imports of:</i></p> <p>Certain deep freezers originating in the Soviet Union OJ L 259, 11.9.1986 (Notice of initiation: OJ C 319, 11.12.1985)</p> <p>Standardized multi-phase electric motors having an output of more than 0.75 kW but not more than 75 kW originating in Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania or the Soviet Union OJ L 280, 1.10.1986 (Notice of initiation: OJ C 305, 26.11.1985)</p> <p><i>Notice of the reopening of anti-dumping proceedings concerning imports of:</i></p> <p>Certain kinds of polystyrene sheet originating in Spain OJ C 238, 20.9.1986 (Re-examination of definitive duty: OJ L 198, 30.7.1985)</p> <p>Styrene monomer originating in the United States of America OJ C 231, 12.9.1986 (Re-examination of definitive duty: OJ L 154, 13.6.1981)</p> <p><i>Notice of the pursuit of anti-dumping proceedings initiated in Spain in respect of:</i></p> <p>imports from France of refrigerating units for transport OJ C 241, 25.9.1986 (Transitional measures laid down by the Act of Accession: OJ L 78, 24.3.1986)</p> <p><i>Acceptance of undertakings given in connection with the anti-dumping proceeding and termination of the investigation concerning imports of:</i></p> <p>Certain deep freezers originating in the German Democratic Republic or Yugoslavia OJ L 259, 11.9.1986 (Notice of initiation: OJ C 319, 11.12.1985)</p> <p>Artificial corundum originating in Hungary, Poland or the USSR OJ L 271, 23.9.1986 (Notice of initiation: OJ C 201, 31.7.1984)</p> <p>Electronic typewriters originating in Japan manufactured by Tokyo Juki Industrial Co Ltd/JDK Corporation OJ L 283, 4.10.1986 (Review proceeding: OJ C 338, 31.12.1985)</p>

Council	Commission ¹
	<p><i>Termination of the anti-dumping proceedings concerning imports of:</i></p> <p>Portland cement into the former Community of Ten from Spain OJ L 282, 3.10.1986 (Notice of initiation: OJ C 84, 2.4.1985)</p> <p><i>Expiry of an anti-dumping duty and of the undertakings accepted concerning imports of:</i></p> <p>Potato granules originating in Canada OJ C 231, 12.9.1986 (Definitive duty: OJ L 243, 26.8.1981)</p>

¹ For steel products see points 2.1.29 and 2.1.30.

Import and export arrangements

2.2.5. On 24 September the Commission sent the Council a proposal for a Regulation, based on Article 113 of the EEC Treaty, suspending imports of gold coins from South Africa with effect from 27 September.¹ This is one of the package of measures adopted by the Community Foreign Ministers at the political cooperation meeting on 16 September (→ point 2.4.2).

Treaties and trade agreements: extension or automatic renewal

2.2.6. On 15 September the Council authorized extension or tacit renewal of certain trade agreements between Member States and other countries² for which the date for giving notice falls between 1 August and 30 September (third batch 1986).³

Export credits

2.2.7. On 23 September the Commission sent the Council a proposal for a Decision on the application of certain guidelines in the field of officially supported export credits. This proposal concerns the adoption in Community law of the consolidated text of the OECD Arrangement concerning these guidelines (the 'Consensus'), which was

agreed by all participants in the Arrangement at their meeting on 13 and 14 March.

Sectoral commercial policy measures⁴

Textiles

Agreements and arrangements with third countries

MFA countries

2.2.8. Negotiations on the renewal of the bilateral agreements between the Community and various MFA textile-exporting countries continued throughout September and resulted in the initialling of agreements with Brazil, Pakistan, Argentina and Hong Kong.

In addition, four days of discussions were held with India. The negotiations were suspended on 30 September and it was agreed to resume talks in a second round of negotiations to be held as soon as possible.

¹ COM(86) 521 final.

² OJ L 266, 18.9.1986.

³ Bull. EC 6-1986, point 2.2.6.

⁴ For steel products, see point 2.1.28.

Relations with industrialized countries

Quadrilateral meeting

2.2.9. The 12th informal quadrilateral meeting was held in Sintra, Portugal, from 4 to 6 September and was chaired by Mr De Clercq, Member of the Commission with special responsibility for external relations and trade policy.¹ Taking part were Mr Clayton Yeutter, the US Trade Representative, Mr Hagime Tamura, Japan's Minister of International Trade and Industry, and Mrs Patricia Carney, the Canadian Minister for International Trade.

Coming just a week before the GATT ministerial meeting in Punta del Este, Uruguay, (→ point 1.4.1 *et seq.*), this meeting enabled the Trade Ministers to discuss the prospects for the new round of multilateral negotiations. It also provided them with an opportunity for separate talks on bilateral matters.

United States

Interim solution to dispute over consequences of enlargement

2.2.10. On 15 and 16 September the Council adopted two Regulations giving effect to the interim agreement negotiated in the dispute between the Community and the United States over the consequences of Spain's accession:

the first introduces *ex post* monitoring for certain agricultural products originating in the United States and released for consumption in Spain;²

the second introduces a derogation from the Regulation on the common organization of the market in cereals as regards the import levy applicable to certain quantities of maize and grain sorghum.³

Parliament had delivered its opinion on the corresponding proposal⁴ in September.⁵

Japan

2.2.11. On 4 September Mr Jacques Delors sent the Japanese Prime Minister,

Mr Yasuhiro Nakasone, a message, in which he expressed his concern at EC-Japan trade trends. The latest bilateral consultations had not yielded tangible results. Mr Delors attached particular importance to the liberalization of Japan's financial market. He also stressed the need for significant progress on the matter of taxation of alcoholic beverages and to standards and certification procedures (to enable foreign firms to compete for big construction projects). He suggested that another ministerial meeting — similar to the one held in November 1985⁶ — be organized in Brussels as soon as possible.

2.2.12. The fifth EEC-Japan Symposium on industrial cooperation was held in Brussels on 9 September.⁷ Its theme was 'The change of industrial structure in Japan and in Europe and its impact on industrial cooperation'. Attended by 200 businessmen, the symposium opened with speeches by Mr Narjes, Vice-President of the Commission with special responsibility for industrial affairs, and Mr Tamura, the Japanese Minister for International Trade and Industry.

Mr Tamura also had talks with Mr Delors and Mr De Clercq, who both stressed the need for Japan to carry out internal structural reforms and to pursue balanced industrial cooperation with other countries.

2.2.13. The second economic forum between the Community and the Keidanren (Japan Federation of Economic Organizations) took place in Brussels on 17 September.⁸ Discussion focused on the prospects for Japanese investment in Europe and for European investment in Japan. Mr Narjes, senior Commission officials and a number of European businessmen took part. The Keidanren delegation was headed by its Vice-Chairman, Mr Morita.

¹ Bull. EC 1-1986, point 2.2.9.

² OJ L 264, 16.9.1986.

³ OJ L 272, 24.9.1986.

⁴ OJ C 232, 25.7.1986; Bull. EC 7/8-1986, point 2.2.7.

⁵ OJ C 255, 13.10.1986.

⁶ Bull. EC 11-1985, point 2.3.14.

⁷ Fourth Symposium: Bull. EC 9-1985, point 2.3.8.

⁸ The first forum was held on 2 October 1985.

2.2.14. The second round of Community-Japan GATT Article XXII consultations on alcoholic beverages was held in Tokyo on 29 September.¹ Representatives of the American and Canadian administrations also took part.

2.2.15. On 11 September Parliament passed a resolution on trade and economic relations between the Community and Japan (→ point 2.4.11).²

2.2.16. On 18 September the Economic and Social Committee adopted an opinion on relations between the European Community, Japan and the United States (→ point 2.4.20).

European Free Trade Association

2.2.17. On 15 September the Council adopted the ninth annual report on the development of cooperation with the EFTA countries from mid-1985 to mid-1986. At the same meeting it also adopted a declaration reaffirming, two years after the ministerial meeting between the ten Community and seven EFTA countries in Luxembourg,³ its determination to pursue its efforts to consolidate and strengthen mutual cooperation at the same time as the Community progresses towards completion of its internal market.

A number of specific areas for immediate cooperation were stressed: research and development, technical obstacles to trade, rules of origin, public procurement, State aids, liberalization of capital movements and Protocol No 2 (processed agricultural products).

Adaptation of the Community-EFTA Agreements following enlargement

2.2.18. On 15 September the Council adopted decisions on the conclusion of the Additional Protocols to the Agreements between the Community and the EFTA countries and of the agreements in the form of exchanges of letters consequent upon the accession of Portugal and Spain.⁴

Relations with other countries and regions

Mediterranean countries

Turkey

2.2.19. After a gap of several years, the EEC-Turkey Association Council met at ministerial level in Brussels on 16 September.⁵ The meeting was chaired by Mr V. Halefoglu, Turkey's Foreign Minister, and co-chaired by Sir Geoffrey Howe, the United Kingdom Foreign Secretary; the Commission was represented by Mr Claude Cheysson, Member with special responsibility for Mediterranean policy. The meeting had been preceded on 15 September by a working dinner attended by the Foreign Ministers of the Twelve and Turkey. The two sides examined the state of the association between the Community and Turkey with an eye to its possible reactivation. How this could be accomplished, the problems posed by the Community's third enlargement and the state of trade relations and financial cooperation between the two parties were discussed, as were matters concerning the free movement of workers. There were also exchanges of views on other, exclusively political, issues.

The Turkish Foreign Minister described the political developments in Turkey, the efforts of the Government to improve the economic and social situation and its desire to bring the Association Agreement back

¹ The first round of consultations under GATT Article XXII was held in Geneva on 4 August, two preparatory rounds of consultations having previously taken place between Commission officials and various Japanese government departments: Bull. EC 4-1986, point 2.2.14; Bull. EC 7/8-1986 point 2.2.13.

² OJ C 255, 13.10.1986.

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

⁴ Bull. EC 7/8-1986, point 2.2.14.

⁵ The most recent meeting of the Association Council was at ambassador level: Bull. EC 3-1983, point 2.2.24; for the last meeting at ministerial level, see Fourteenth General Report, point 649.

into operation following the six-year suspension.

On behalf of the Commission, Mr Cheysson made a statement covering the following main points: the need to develop trade between the Community and Turkey, which still failed to reflect the economic importance of the two parties; the memorandum presented by the Commission during the meeting, which revised a number of specific problems concerning trade between the Community and Turkey (particularly the question of textiles); the need to engage in more sophisticated forms of cooperation offering greater potential, in particular industrial cooperation, technology transfers, joint ventures between research centres, services, and so forth.

Malta

2.2.20. The Protocol on financial and technical cooperation between the Community and Malta, signed in Brussels on 4 December 1985,¹ entered into force on 1 October.²

Yugoslavia

2.2.21. In the context of the Cooperation Agreement between the Community and Yugoslavia,³ a mission to Madrid and Lisbon to explore opportunities for cooperation was organized from 22 to 28 September for Yugoslav businessmen.

Tunisia

2.2.22. Mr Cheysson visited Tunisia from 10 to 13 September. He was received by President Bourguiba, Mr Sfar, the Prime Minister, Mr Essebsi, the Foreign Minister, Mr Ben Osman, the Minister for Agriculture and Mr Messaadi, President of the Chamber of Deputies.

The talks centred on the state of the negotiations on adapting the Agreement following the enlargement of the Community,⁴ on the transitional arrangement for olive oil,⁵ and on the trade situation and current

and future financial cooperation. The talks also covered possible cooperation with regard to fishery resources.

On 11 September Mr Cheysson and Mr Essebsi signed five financing agreements, the final ones under the second EEC-Tunisia Financial Protocol,⁶ involving a total of 23.5 million ECU.

During his visit Mr Cheysson also met Mr Arafat, Chairman of the PLO, and Mr Klibi, Secretary-General of the League of Arab States.

Countries of the Gulf and the Arabian Peninsula

2.2.23. On 17 September a Commission delegation held a first meeting with the Chairman and Secretaries-General of the joint Euro-Arab Chambers of Commerce, who were also received by Mr Cheysson, Member of the Commission with special responsibility for North-South relations. It was agreed that there would be regular meetings and continuing exchange of information.

2.2.24. An informal meeting on energy matters took place on 22 and 23 September between the Commission and the Gulf Cooperation Council (GCC) (→ point 2.1.159).

Asia

South Korea

2.2.25. As part of its efforts to develop trade relations between the Community and the Republic of Korea, the Commission

¹ OJ L 216, 5.8.1986; Bull. EC 12-1985, point 2.3.28.

² OJ L 256, 9.9.1986.

³ OJ L 41, 14.2.1983; Bull. EC 1-1983, point 2.2.21; Bull. EC 4-1983, point 2.2.27.

⁴ Bull. EC 7/8-1985, points 1.3.1 to 1.3.4; Bull. EC 9-1985, point 1.3.1 *et seq.*

⁵ Bull. EC 6-1986, point 2.1.169.

⁶ OJ L 337, 29.11.1982; OJ L 356, 17.12.1982; Bull. EC 11-1982, point 2.2.68.

trade unions and employers' organizations in the tyre industry and to draw up proposals aimed at protecting the future of the European tyre industry.

The future of the European Social Fund. Firmly convinced that the time had come to define a new strategy for combating unemployment in which the Funds played a genuine and not merely a marginal and supporting role, Parliament believed that a European Fund could not be required alone to take over tasks originally covered on a permanent basis by national training and employment policies. It also considered that the percentage of Social Fund reserved for top priority regions was totally inadequate, give the recent accession of Spain and Portugal. The House therefore asked the Commission and Council to abolish the age requirements in the interests of greater flexibility (while giving priority to young people), to maintain the principle of the geographical concentration of the use of Fund resources, ensuring that aid went to operations in line with the priority programmes defined by the Community and with a better balance between geographical and qualitative criteria, and finally to provide bigger appropriations for pilot schemes while emphasizing their integrated nature. The House also called for an appropriate increase in the Fund's allocation, precise details about which new technologies should be given priority in the Fund guidelines and a cost-benefit analysis of the Fund's operations, after the Commission had been given effective powers to carry out on-the-spot checks. The House also wanted the departments responsible for vetting applications within the national administrations to be strengthened, proposals to be made for decentralizing structural funds, past commitments to be honoured and efforts made to simplify management of the Fund.

The traditional industrial regions of the Community. Noting that the principal cause of the decline of the traditional industrial regions was the massive loss of jobs in Europe, Parliament considered that Community aid should go to such regions, not

necessarily by means of a new specific Community instrument, but through an overall increase in available finance and by implementing the IMPs. At the same time the House believed that the grouping together of firms to share services and of workers in cooperative ventures which exploited as far as possible their vocational skills and individual aptitudes, could, if offered the necessary technical and management back-up, be a useful means of sustaining employment and maintaining production. The Commission was therefore urged to present proposals to implement these principles either by means of an integrated development operation or of an ERDF programme.

The effects of recent weather conditions in Ireland and in the Mediterranean regions. In three resolutions Parliament called on the Community to grant emergency Community aid to Irish, Dutch and Belgian farmers hit by the very bad weather (Ireland for the second year in succession) and to proceed with a full and immediate devaluation of the Irish green pound and a postponement of the cereal levy. As regards the Mediterranean regions the House called, in two resolutions, for additional financial aid and inclusion in the 1987 budget of the necessary appropriations for improving irrigation systems in regions regularly hit by drought. In two other resolutions Parliament called for a series of measures to be implemented, including provision of additional quantities of cereal for farmers in the affected regions of France and, for the Azores, for an aid programme to be set up with the Portuguese Government and the participation of regional and local authorities geared principally to repairing social infrastructures.

The Community's powers with regard to the law of the sea and the prevention of marine pollution. Parliament considered that despite the difficulties arising from the obligations assumed by each Member State in the context of international and regional cooperation, the conditions were now right at international and institutional level for the creation of the Community's own powers as regards the protection and the conser-

vation of the marine environment. The House believed that in the light of the legal uncertainty surrounding the relevant provisions of the Single Act,¹ a Community policy for the protection of the marine environment must, in order to be credible and applicable to non-member countries, be such as to satisfy, first of all, the conditions of internal consistency and legal certainty.

Measures to counteract the rising concentration of carbon dioxide in the atmosphere. Parliament called upon the Commission to introduce measures to cut back substantially on releases of carbon dioxide, with a view to reducing the warming effect on the planet, thus benefiting the environment too. The Council was urged, when drawing up the new framework programme for research to allocate more resources to climatology.

The serious losses suffered by the Spanish cereal farmers. Parliament urged the temporary suspension of the co-responsibility levy in those areas where crop loss had been more than 50% of the average of the last three years' output.

The drought affecting farming in certain regions. Parliament called on the Commission to promote water projects, especially within the framework of integrated Mediterranean programmes (IMP).

The agricultural crisis in Ireland. Parliament called upon both the Commission and the British and Irish Governments together to consider financial measures that could be taken to help Irish farmers.

Forest fires in the Mediterranean area of the Community. In seven resolutions Parliament urged the Council to adopt the measures advocated by the Commission to reduce the risks of forest fires and to strengthen Member States' fire-fighting services.² The Commission was also requested to obtain full and regular information from the appropriate national authorities on prevention measures with the aim of coordinating them, and to provide emergency aid for

the affected regions (Spain and south-west France).

The adjustment of quotas for agricultural produce originating in the Canary Islands. Parliament called on the Commission to increase, as a matter of urgency, the 1986 quotas for agricultural produce originating in the Canary Islands.

Liberalization and harmonization in the field of transport. Parliament called for a master plan to achieve a common transport market between now and 1992, in parallel with a high degree of harmonization.

The consequences of the Chernobyl reactor accident and the health protection measures taken afterwards. In its first resolution Parliament requested the Commission to report on the progress and results of the current international talks and notably on the new safety measures announced by the Soviet Union. The Commission was asked to propose standards for reactors in order to harmonize national criteria, to lay down uniform radioactivity limits for food and to ensure that imports were thoroughly checked. In its second resolution Parliament urged the Commission to submit a multinational programme of epidemiological studies and asked the Council and the Member States' Governments to provide the necessary funds, if need be, outside the budget.

The Cattenom nuclear power station. In two resolutions, Parliament grasped the opportunity offered by an accident at the French nuclear power station a few weeks before its final commissioning to call on the Commission to use every means at its disposal to prevent the commissioning of Cattenom, associating itself in particular with the action brought by the Saarland and a number of regional bodies. The House demanded that neighbouring States affected should have joint consultative and decision-making rights concerning all nuclear plants built near international borders.

¹ Supplement 2/86-Bull. EC; Bull. EC 2-1986, point 1.1.1 et seq.

² OJ C 187, 13.7.1983; OJ C 208, 8.8.1984.

The new round of multilateral trade negotiations within GATT. Parliament reaffirmed that the GATT was and must remain the most authoritative international trading system and stressed that the next round of negotiations must tackle, and solve, the problem of exports of agricultural products and must also aim to remove various tariff and other barriers against traditional products of the developing countries. Emphasizing that the Community must speak with a single voice in the negotiations the House noted that action taken on monetary policy must allow for the developing countries' problems. Parliament hoped that the GATT would become the permanent negotiating precinct for this purpose and urged that a permanent ministerial committee be set up within it. To help the settlement of disputes the House called for a stronger role for the Director-General of GATT in order to improve procedures. On the question of international trade in agriculture, Parliament wanted direct and indirect export refunds to be restricted and called for uniform and global criteria for assessing subsidies. On safeguard clauses, the House considered unilateral selective measures to be inadmissible. On trade in services Parliament believed that the negotiation on services could run parallel with the general GATT negotiations. The House went on to condemn the inadequacy of the protection of intellectual property to counter trade in counterfeit goods. Finally, on the social side the House hoped that a new GATT article would be negotiated to cover 'fair labour standards'.

The war against locusts. Parliament urged the Commission to set up immediately an effective task force to coordinate all measures against this insect invasion which was causing disastrous damage to the agri-food situation in many areas of Sub-Saharan Africa.

Measures to halt the proliferation of locusts in Africa. Parliament hoped that the Commission itself would intervene and wondered why the FAO should be responsible for coordinating such a plan in ACP States.

The Community's reaction to the recent natural disasters in Africa and their effects on the human and animal population. Parliament called on the Commission to play its part in improving and monitoring the natural environment in Africa.

The recruitment of 'stagiaires' for employment in EEC delegations in developing countries. Parliament called on the Commission to establish a programme of 'development stagiaires' to be attached to Community delegations in developing countries. Such a programme would provide two years of invaluable training for young graduates and additional manpower for the delegations.

The fight against the Mafia in Europe. Parliament urged the Commission to promote the agreements facilitating close collaboration between the judiciary, Community and foreign financial institutions and the organs of the Communities in order to make possible concerted measures against the Mafia and its financial ramifications, by proceeding at international level to harmonize investigatory powers. Such measures would be aimed in particular at countering any infiltration by the Mafia into the use of Community funds.

2.4.12. In the fields of political cooperation and human rights Parliament passed resolutions on the following subjects.

Terrorism. Parliament stressed the need for more effective cooperation between security services and forces in the democratic countries and in particular the need for extradition rules to be rigorously enforced. With that in mind the House proposed that a European anti-terrorist bureau be set up. Parliament condemned the failure of the Council, which had still not brought into being the European legal area, a vital factor in the fight against terrorism.

Xenophobia. Parliament expressed its disapproval of the growing hostility towards people from the Arab countries.

Council

2.4.13. The Council held five meetings in September. The table below lists the num-

ber, place and date of each meeting, the names of the Council President and Commission representatives and the main items

of business. A more detailed account of specific items can be found in the sections of the Bulletin referred to in the footnotes.

Table 11 — *Council meetings in September*

Number, place and date of meeting	Subject	President	Commission	Main items of business
1101st Brussels 8 and 9 September (follow-up to meeting of 24 July)	Budget	Mr Brooke	Mr Christo- phersen	Establishment of 1987 draft budget and problems concerning 1986 budget ¹
1102nd Brussels 15 and 16 September	Foreign affairs	Sir Geoffrey Howe	Mr Natali Mr Andriessen Mr Cheysson	Relations with United States — Mediterranean preferences, citrus fruits and pasta Mediterranean policy of enlarged Community EEC-EFTA relations — conclusions ² 31st meeting of EEC-Turkey Association Council — preparations ³
1103rd Brussels 15 and 16 September	Agriculture	Mr Jopling	Mr Andriessen	Agricultural conversion rate for Irish pound ⁴ Monetary compensatory amounts in eggs and poultry sector ⁴ Milk sector — urgent measures to improve control of milk production ⁴ Social butter ⁴ Import levy applicable to certain quantities of maize and sorghum ² Special measures in respect of olive oil Residues in animals and fresh meat ⁴ Socio-structural measures applicable to Canary Islands
1104th Punta del Este (Uruguay) 20 September	Foreign affairs	Mr Channon	Mr De Clercq	Examination of outcome of negotiations and adoption of decisions necessary for Community approval of final statement of GATT ministerial conference ⁵

Number, place and date of meeting	Subject	President	Commission	Main items of business
1105th Brussels 22 and 23 September	Fisheries	Mr Jopling	Mr Cardoso e Cunha	Technical conservation measures ⁶ Aquaculture ⁶ Community rules on importation of certain white fish Fisheries research policy Relations with certain international organizations and non-member countries

¹ Financing Community activities.

² Relations with industrialized countries.

³ Relations with other countries and regions.

⁴ Agriculture.

⁵ Point 1.4.1. *et seq.*

⁶ Fisheries.

Commission

Activities

2.4.14. The Commission reviewed the main items of business to be dealt with before the end of the year in relation both to the programme of the UK Council Presidency¹ and to preparations for initiatives connected with the introduction of the Single European Act, the question of new own resources and Community financing in general, and proposals for farm prices for the next marketing year and other measures for further reform of the common agricultural policy. Two working weekends, in early October and early November, will be devoted to formulating the relevant policy guidelines.

Decisions, communications and proposals

2.4.15. The Commission approved a communication to the Council on the Community's Fourth Environment Action Programme (→ point 1.1.1 *et seq.*). The Commission is planning to introduce a new phase in environment policy by integrating the environmental dimension into the Community's economic, industrial, agricultural and social policies. It also intends to formulate a preventive policy which reconciles

economic and social development, policy on the natural environment, and the safety of installations and populations. This ambitious approach is consonant with the guidelines adopted by the European Council and confirmed in the chapter of the Single European Act devoted to the environment.

A report was sent to Parliament on voting rights in local elections for Community nationals.² Parliament had requested this report when it came out in favour of the principle involved (→ point 2.1.74).

Following the gradual improvement in the steel market the Commission, with the Council's agreement, took the first step towards liberalizing the legislation by removing an initial batch of steel products from the quota system (→ point 1.2.1 *et seq.*).

The Commission adopted several decisions (an autonomous one based on a management committee opinion and two proposals to the Council) to correct certain defects in the milk quota arrangements and to introduce stricter intervention procedures to cope with the excessive increase in the quantities of butter and dried skimmed milk sold

¹ Bull. EC 7/8-1986, point 3.4.1.

² Supplement 7/86 — Bull. EC (forthcoming).

into intervention since the beginning of the year (→ point 2.1.103 *et seq.*).

It also approved a proposal to the Council concerning rules on the description of spirituous beverages (→ point 2.1.114).

Finally, in response to a request from the Irish Government, the Commission agreed to propose to the Council a substantial reduction in the monetary compensatory amounts applicable to Irish dairy products following the devaluation of the Irish pound

at the beginning of August (→ point 2.1.102).

Appointment of a Director-General

2.4.16. The Commission decided to appoint Mr Laurens Jan Brinkhorst¹ Director-General for the Environment, Consumer Protection and Nuclear Safety. Mr Brinkhorst had been Head of the Commission Delegation in Tokyo since 1982.

¹ Bull. EC 10-1982, point 2.4.31.

Court of Justice

2.4.17. New cases

Case	Subject	Basis
ECSC — Steel		
236/86 Dillinger Hüttenwerke v Commission ¹	Annulment of the individual Commission Decision allocating to the British Steel Corporation pursuant to Article 13(1) and (4) of Decision No 3485/85/ECSC increased reference amounts in product categories I(a), I(b), I(c) and II following the acquisition of Alpha Steel Ltd	Article 33 ECSC
244/86 Sacilor v Commission ¹	Annulment of the individual Commission Decision of 5 August 1986 fixing the reference production quotas, reference quantities and parts of quotas which may be disposed of within the common market for the third quarter of 1986	Article 33 ECSC
Customs union		
208/86 SA Transports Graveleau v Commission	Annulment of Commission Decision REM 1/86 of 29 April 1986 rejecting an application for exemption from import duties	Article 173 EEC
232/86 Nicolet Instrument GmbH, Offenbach/Main v HZA Berlin-Packhof ²	Is an instrument 'of equivalent scientific value' within the meaning of Regulation (EEC) No 1798/75 if, although it may be used in carrying out the intended research, its performance is so disproportionate that on objective consideration it cannot reasonably be expected to be used for such research?	Article 177 EEC

Case	Subject	Basis
<p>Competition</p> <p>246/86 S.C. Belasco and Others v Commission</p>	<p>Annulment of the Commission Decision of 10 July 1986 (relating to a proceeding under Article 85 EEC — IV/31.371 — roofing felt) or, alternatively, annulment of or at least reduction in the fines imposed on the applicants for having participated in the agreements and concerted action between manufacturers of roofing felt</p>	<p>Article 173 EEC</p>
<p>Free movement of workers</p> <p>222/86 Union Nationale des Entraîneurs et Cadres Techniques Professionnels du Football (UNECTPF), in the presence of the Procureur de la République v Georges Heylens and Others</p>	<p>Does a French law which requires, on pain of penal sanctions, that a person wishing to exercise a gainful occupation as a trainer of a sports team must hold a French diploma or a foreign diploma recognized as equivalent thereto by a committee whose rulings do not state the reasons on which they are based and against whose decisions no specific legal remedy is available constitute a restriction on freedom of movement for workers?</p>	<p>Article 177 EEC</p>
<p>Agriculture</p> <p>216/86 F. Antonini v Prefetto di Milano</p>	<p>May Member States adopt rules governing the wholesale marketing of pigmeat and beef and veal which are not merely confined to prohibiting for a set period any increase in the prices freely formed at a given date but which also provide that, subject to the proper administrative procedure, the prices so fixed may subsequently be adjusted in line with Community rules and prices?</p>	<p>Article 177 EEC</p>
<p>233 to 235/86 Champlor SA and Others v Commission¹</p>	<p>Annulment of Commission Regulation (EEC) No 2040/86 laying down detailed rules for the application of the co-responsibility levy in the cereals sector</p>	<p>Article 173 EEC</p>
<p>237/86 Netherlands v Commission²</p>	<p>Annulment of Commission Decision 86/443 of 1 July 1986 (clearance of accounts presented by the Netherlands in respect of expenditure financed by the EAGGF, Guarantee Section, for the 1982 financial year) as regards the non-payment of expenditure incurred in connection with export and intervention refunds in the fisheries sector</p>	<p>Article 173 EEC</p>
<p>238/86 Netherlands v Commission²</p>	<p>Annulment of Commission Decision 86/443 of 1 July 1986 (clearance of accounts presented by the Netherlands in respect of expenditure financed by the EAGGF, Guarantee Section, for the 1982 financial year) as regards the non-payment of expenditure for aid for skimmed milk and skimmed-milk powder intended for use as animal feed</p>	<p>Article 173 EEC</p>

Case	Subject	Basis
239/86 Ireland v Commission ³	Annulment of Commission Decision 86/445 of 1 July 1986 (clearance of accounts presented by Ireland in respect of expenditure financed by the EAGGF Guarantee Section, for the 1982 financial year) as regards the non-payment of expenditure provided for in the rules on the common organization of the markets in the fisheries sector	Article 173 EEC
242/86 Ireland v Commission ³	Annulment of Commission Decision 86/445 of 1 July 1986 (clearance of accounts presented by Ireland in respect of expenditure financed by the EAGGF, Guarantee Section, for the 1982 financial year) as regards the non-payment of export refunds for butter and concentrated butter exported to third countries	Article 173 EEC
Fisheries		
223/86 Pesca Valentia Ltd v the Irish Minister for Fisheries and Forestry and the Attorney General	<p>1. Do Articles 100 to 102 of the 1972 Act of Accession, Articles 1 and 2 (1) of Regulation (EEC) No 101/76 and Article 6 of Regulation (EEC) No 170/83 prohibit a Member State from adopting legislation stipulating that the crews of vessels which fish inside the exclusive fishing limits of the Member State in question must include a minimum proportion of Community nationals?</p> <p>2. Does such legislation conflict with Article 7 EEC by giving rise to discrimination on grounds of nationality?</p>	Article 177 EEC
Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters		
218/86 SAR Schotte GmbH v Parfums Rothschild SARL	Does the jurisdiction conferred by Article 5(5) of the Brussels Convention in regard to a branch, agency or other establishment extend to the case where a legal entity recognized by French law ('société à responsabilité limitée') whose registered office is in Paris controls in Germany an independent legal entity recognized by German law which has the same name and identical management, which negotiates and conducts business in the name of the French legal entity and which is used by the latter as an extension of itself?	Article 173 EEC
External relations		
229/86 Brother Industries Limited, Japan, Taiwan Brother Industries Limited, Taiwan, and Brother International Europe Limited, England v Commission ²	Annulment of Commission Decision 86/193/EEC of 23 May 1986 terminating the anti-dumping procedure concerning the import of electronic typewriters originating in Taiwan and of the memorandum dated 5 June 1986	Article 173 EEC

organized the Community's first participation in the Seoul International Fair (Sitra), which took place from 18 to 29 September.

Of non-Korean participants, the Community had the largest presence at the fair, with 40 European firms from eight Member States (Germany, France, Ireland, Italy, Spain, Portugal, the Netherlands and the United Kingdom) and a Commission information stand.

This was the first time that the Commission had financed the participation of European firms in an international fair, its aim being to promote European exports.

Latin America

Andean Group

2.2.26. Mr Abel Matutes, Member of the Commission with special responsibility for policy on small and medium-sized businesses, visited Caracas, Venezuela, as the Commission's representative at the Community-Andean Pact Agro-Industrial Conference, which took place from 10 to 12 September. The conference was organized under the Cooperation Agreement between the European Community and the Andean Group (Bolivia, Colombia, Ecuador, Peru and Venezuela).¹ It was inaugurated by Mr Matutes, Mr Mirabel Bustillos, Venezuela's Minister for Development, and Mr Echeverría, representing the Junta of the Andean Pact.

On the European side, there were 110 representatives of agro-industrial firms from all the Community countries except Greece and of 10 or so of the major European banks. The Andean participation consisted of 120 representatives of firms from the five Andean Pact countries. The purpose of the conference was to promote agro-industrial cooperation between European firms and firms in the Andean Pact countries. The latter presented some 85 agro-industrial projects (joint ventures, technology transfer schemes, subcontracting projects, etc.) for

which European participation was being sought.

During the three days of the conference, some 400 bilateral contracts took place between European and Andean firms. What contributed most to the great success of the conference was the fact that the 85 projects presented had been selected well before and communicated to firms in the Community. This enabled European firms to come to the conference ready to discuss specific projects.

Mr Matutes also had a series of talks with members of the Venezuelan Government, including Mr Consalvi, the Foreign Minister, and Mr Azpurua, the Finance Minister, and with the Executive Secretary of the Latin American Economic System (SELA) and the President of the Chambers of Commerce.

State-trading countries

Council for Mutual Economic Assistance (CMEA)

2.2.27. A meeting of delegations of experts from the Commission and the CMEA Secretariat took place in Geneva from 22 to 24 September. The aim of this exploratory meeting was to discuss ways and means of establishing official relations between the two bodies. Discussions did not touch upon specific areas of cooperation, however.

China

2.2.28. At the invitation of China's Minister for Foreign Trade, Lord Cockfield, Vice-President of the Commission with special responsibility for the internal market, visited China from 5 to 13 September. He was received by the Premier, Zhao Ziyang, and had talks with the Ministers for Finance and Foreign Trade, the Deputy Ministers for Foreign Affairs and for the State Econ-

¹ OJ L 153, 8.6.1984; Bull. EC 12-1983, point 2.2.45.

omic Commission, and the President of the Bank of China.

The talks focused on the creation of a large open market and the possibilities for developing trade and economic cooperation between the Community and China.

Development

North-South relations

Cooperation in international forums

United Nations Conference on Trade and Development

2.2.29. The Community took part in the 33rd session of the Trade and Development Board, which was held in Geneva for 1 to 10 September.¹ Following lengthy discussions, it was agreed that the seventh Unctad conference should take place in Geneva in July next year. The conference will last approximately three weeks, with two weeks at senior official level, to be followed by a concluding week at which ministerial participation is expected.

The substance of the agenda for Unctad VII has been thrashed out in intensive negotiations. An overall theme has been agreed, from which three main topics have emerged, namely resources for development, commodities and international trade. In addition, the problems of the least-developed countries will be examined in the light of the substantial new action programme for the 1980s.²

Generalized tariff preferences

Scheme proposed for 1987

2.2.30. On 19 September the Commission transmitted to the Council its proposals concerning the scheme of generalized tariff preferences for 1987.³

For industrial products, the Commission aims once again to step up the degree of differentiation at the expense of the countries which are very competitive in certain sectors, and at the same time to make a distinct improvement in treatment offered to the other beneficiaries. As a result of the application of objective criteria relating to the capacity to export certain sensitive products, with account also being taken of the general degree of development of the country in question, 40 products involving seven countries (Brazil, Hong Kong, Libya, Romania, Saudi Arabia, Singapore, South Korea) have been excluded from the preferential arrangements.

The package of measures will result in the elimination of 42 individual quotas (35 of them as an automatic result of exclusion), the creation of 11 new quotas, the end of allocations among the Member States, the removal of 11 products from the list of sensitive products, and the addition of four products to this list.

The reference bases for non-sensitive products have been updated and correspond to 4% of 1984 imports from outside the Community.

In the textiles sector, the structure of the scheme is maintained, with a few technical adjustments made as a result of the category changes decided on as part of the general policy on textiles. Provision has also been made for more flexibility in the administration of the scheme (transfers among Member States, non-allocation of 26 ceilings).

Two new tariff headings have been included for agricultural products: green coffee (individual quotas of 5 000 tonnes) and fresh carnations from 1 June to 31 October; 11 preferential margins have been improved, and the maximum levy for flue-cured Virginia tobacco has been lowered to 20 ECU/100 kg. The amounts of Spain's and Portugal's quotas and quota shares for the two

¹ Bull. EC 3-1986, point 2.2.29.

² Bull. EC 9-1981, point 2.2.10.

³ COM(86) 437 final.

types of pineapple and for flue-cured Virginia tobacco have been recalculated on a 12-month basis (these Member States did not start granting preferences until 1 March this year). The global quota for dark tobacco has been changed into a ceiling and set at 20 000 tonnes.

Lastly, three new products (frozen strawberries, grape juice and pineapple juice) have been added to the list of products for the least-developed countries; furthermore those countries are exempt from reintroduction of the duty which was still applicable within the two preferential limits for tobacco.

Commodities and world agreements

Coffee

2.2.31. On 10 September¹ the Commission sent to the Council a proposal for a Regulation on the application of the system of certificates or origin provided for under the International Coffee Agreement 1983, when quotas are suspended.²

The purpose of this proposal is to implement at Community level the regulation adopted by the Executive Board of the International Coffee Organization in January.³

Cocoa

2.2.32. The 29th regular session of the International Cocoa Council was held in London from 1 to 12 September.⁴ General agreement was reached on all the items on the agenda. The most important decisions were as follows:

(i) the introduction of an interim period of four months between 1 October 1986 and 31 January 1987 for the transition between the 1980 and 1986 Agreements;⁵

(ii) the approval of the administrative budget for 1986/87;

(iii) the approval of a number of amendments concerning the steps to take regarding the buffer stock in the event of liquidation. These changes concern the maximum duration of liquidation, the share attributable to the exporting countries, and the distribution of funds to the importing countries;

(iv) the amendment of a provision contained in the economic and control rules in order to improve the use of ICC-4 certificates and facilitate trade.

During the meeting, Côte d'Ivoire, the world's biggest cocoa producer, officially declared that it would participate in the 1986 Agreement and that the procedures to notify provisional application of this agreement were in progress.

The Council signed the new cocoa agreement on behalf of the Community and its Member States on 30 September.⁵

Campaign against hunger in the world

Food aid

2.2.33. On 3 September, with the endorsement of the Food Aid Committee, the Commission decided to allocate an additional 50 000 tonnes of cereals to Egypt in order to help maintain essential wheat supplies for the population following the disastrous unexpected fall in its foreign exchange earnings.

2.2.34. The Commission also granted the following emergency food aid in September:

(i) on 5 September, in order to meet the urgent requirements of refugees the UNHCR received 2 500 tonnes of skimmed-milk powder and 1 500 tonnes of butteroil

¹ COM(86) 492 final.

² Bull. EC 6-1983, point 2.2.58; Bull. EC 9-1985, point 2.2.33.

³ Bull. EC 1-1986, point 2.2.29.

⁴ 28th session: Bull. EC 7/8-1985, point 2.3.42.

⁵ Bull. EC 7/8-1986, point 2.2.32.

for the Afghan refugees in Pakistan, and 1 000 tonnes of vegetable oil, 500 tonnes of sugar and 350 tonnes of skimmed-milk powder for refugees in Ethiopia, Iran, Honduras and Mexico;

(ii) on 23 September Nepal received 5 000 tonnes of cereals to help it contend with a serious rice shortfall as a result of the damage caused to the crop by a severe drought.

Locust control in Africa

2.2.35. On 11 September Parliament passed three resolutions, one on locust control, the second on Community participation in efforts to combat the proliferation of locusts in Africa, and the third on action taken by the Community in response to the recent natural disasters in Africa,¹ which have had very serious consequences for human beings and animals (→ point 2.4.11).²

Trade promotion

ACP States

2.2.36. In September the Commission made arrangements for the participation of

the ACP States in three international trade events. The provisional results achieved on the spot are significant:

(i) in Berlin, the overseas import fair: four African States — order for products estimated at: 17 863 574 ECU;

(ii) in Paris, international leather week: nine African States — orders for products estimated at: 18 235 585 ECU;

(iii) in Bari, the Fiera del Levante: four African States — 200 000 ECU. Participation in the Bari fair was linked with the international colloquium dealing with technical cooperation on fisheries and aquaculture in the developing countries (Lomé III).

Financial and technical cooperation

ACP States and OCTs

2.2.37. In September the Commission decided to allocate resources from the fourth, fifth and sixth EDFs totalling 26 830 000 ECU to finance projects, programmes and emergency aid operations which it administers (Table 9).

¹ For Cameroon, see Bull. EC 7/8-1986, point 2.2.50.

² OJ C 255, 13.10.1986.

Table 9 — *Financing of operations under the fourth, fifth and sixth EDFs*

	Project	Amount	
		Grants	Loans
<i>million ECU</i>			
<i>Industrialization</i>			
Guinea	Manufacturing industries (Soguiplast)	2.100	3.000
Nigeria	Mining and quarrying	1.220	
<i>Development of production</i>			
Uganda	Agriculture	6.000	
Burundi	Forestry	3.500	
Mauritania	Hydroagricultural development	2.100	
<i>Economic infrastructure</i>			
Benin	Roads and bridges	6.000	
Sao Tome and Principe, Equatorial Guinea, Gabon and Cameroon	Modernization of the port facilities in the Gulf of Guinea	0.690	

million ECU

	Project	Amount	
		Grants	Loans
<i>Social development</i>			
New Caledonia	Health infrastructure and village water engineering		0.710
<i>Other</i>			
Guinea-Bissau	General technical cooperation (assistance to Directorate-General for Planning)	0.910	
<i>Emergency aid</i>			
Sao Tome and Principe	Drainage programme and information campaign (malaria epidemic)	0.150	
Botswana	Locust control	0.450	
Total		23.120	3.710

2.2.38. On 8 September the Commission presented to the Council a communication on aid for Palestinians in the occupied territories.¹ The Commission advocated combining financial and technical assistance for this purpose under a single budget heading. The communication was accompanied by a proposal for a Council regulation granting preferential arrangements for access to the Community market for certain products from the occupied territories.

Cooperation via non-governmental organizations

2.2.39. In the period 1 January to 30 September, the Commission committed 29.3 million ECU for the co-financing of 209 projects presented by 108 NGOs.

The Commission also contributed 3 067 790 ECU to 58 publicity campaigns in the Community.

Institutions

ACP States

ACP-EEC Joint Assembly

2.2.40. The ACP-EEC Joint Assembly held its second meeting of the year in Vouli-

agmeni, Greece, from 22 to 25 September, under the joint chairmanship of Mr Bersani (an Italian Member of the EPP group of the European Parliament) and Mr Mworcha (Burundi Parliament). Mr Natali represented the Commission, and Mr Patten (United Kingdom) and Mr Mersie (Ethiopia) represented the ACP-EEC Council.²

The opening address was given by Mr Papandreou, the Prime Minister of Greece.

Two main subjects dominated the discussions: the annual general report, presented by Mr Jackson (UK — Conservative) and South and southern Africa.

The general report, entitled 'Towards 2000', seeks to identify the ACP States' medium- and long-term priority requirements and objectives and to define how ACP-EEC cooperation could help to meet them. It focuses on the requirements and role of the population in development activities within their social, cultural and physical environment; it dwells in particular on questions of training, demography and the role of private and decentralized initiative. Apart from one or two points, it is close to the

¹ SEC(86) 1274 final.

² First meeting: Bull. EC 1-1986, point 2.2.36.

approach adopted by the Commission and to be found in Lomé III. Mr Natali's address also focused on man's role in development. He examined the respective roles of central government and the other social and economic forces in this context, the specific problems involved in implementing the Lomé Convention, and the attitude to be adopted to population problems.

A resolution (the Jackson resolution) was adopted on this report by a large majority.

As regards South Africa, the discussions revealed the keen disappointment which the ACP members and many members on the Community side felt at the limited nature of the sanctions decided on by the Community's Foreign Ministers (→ point 2.4.2). The members of the Assembly also expressed their clear support for the positive measures designed to help the victims of apartheid. The outcome was a compromise resolution, prepared jointly by the ACP members and a large number of European members—also passed by a large majority—calling for increased aid to the countries bordering on South Africa. Mr Natali spoke in condemnation of apartheid, referred to the decisions on positive and negative measures and laid stress on aid to the SADCC countries.

The Joint Assembly also examined the interim reports of its three working groups on rural development and environment, debt and population. Lastly, it passed a large number of resolutions, covering a wide range of topics, from terrorism in Europe to the creation of a denuclearized zone in the South Pacific, and including various aspects of ACP-EEC cooperation, the problems of the Horn of Africa and Chad, human rights and commodities.

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Visits

2.2.41. The President of Djibouti, Mr Hassan Gouled Aptidon, visited the Commission on 12 September, accompanied by a delegation led by the Foreign Minister,

Mr Moumin Bahdon Farah. President Gouled had a long talk with Mr Natali on cooperation between the Community and Djibouti, regional cooperation, in particular within IGADD,¹ and bilateral relations. Discussion of the last subject included a review of political relations in the Horn of Africa.

2.2.42. The President of Sao Tome and Principe, Dr Manuel Pinto da Costa, visited the Commission on 18 September and had talks with Mr Jacques Delors and with Mr Lorenzo Natali, Member of the Commission with special responsibility for cooperation and development. He also met Mr António Cardoso e Cunha, Member of the Commission with special responsibility for fisheries policy.

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2.2.43. On 12 September Parliament passed a resolution on the recruitment of stagiaires for employment in Community delegations to developing countries (→ point 2.4.11).²

International organizations and conferences

United Nations

General Assembly

Opening of the 41st session

2.2.44. The 41st session of the United Nations General Assembly opened in New York on 22 September.³ On behalf of the Community and its Member States, Sir Geoffrey Howe as President of the Council

¹ The IGADD (Intergovernmental authority on drought and development) is an organization set up to combat drought and promote development; its members are Djibouti, Ethiopia, Kenya, Somalia, Sudan and Uganda.

² OJ C 255, 13.10.1986.

³ Opening of the 40th session: EC 9-1985, point 2.3.36.

made a speech on 23 September¹ in which he stressed the Twelve's deep commitment to the ending of apartheid in South Africa (→ point 2.4.2) and the need for genuine national dialogue within South Africa if there was to be a peaceful solution to the country's problems.

Sir Geoffrey Howe went on to state the position of the Twelve on a whole range of issues which included the Middle East, Asia and Latin America, and drew the General Assembly's attention to the Community's commitments on human rights.² On East-West relations, he reiterated the Community's welcome for the improving dialogue on disarmament and also stressed the Community's support for the reforms aimed at resolving the UN's financial crisis.

In the part of his speech dealing more specifically with Community matters, Sir Geoffrey stated that the Community fully supported the new round of multilateral trade negotiations launched at the recent GATT meeting (→ point 1.4.1 *et seq.*). He drew attention, nevertheless, to several problems, referring in this context to world food production which, he said, must be adjusted to the market situation through international cooperation. On the debt issue, Sir Geoffrey said that the Community fully endorsed efforts to meet the legitimate growth aspirations of debtor countries. He said the Community would be willing to support the structural adjustment efforts of debtor countries and promote the flow of financial resources to developing countries, especially in Africa.

A memorandum accompanying the speech and listing several other matters which the Community wished to see discussed at this session of the General Assembly was circulated on behalf of the Community.

Council of Europe

Parliamentary Assembly

2.2.45. The Council of Europe's Parliamentary Assembly met for its autumn ses-

sion from 17 to 25 September. Two issues of acute topical concern were on the agenda, namely terrorism and the indebtedness of the developing countries.

On the first question, the Assembly debated how Europe should respond to international terrorism at a time when the Council of Europe was preparing for the first conference in November of the ministers responsible for combating terrorism. On the second question, having stressed the climate of uncertainty created by constant renegotiation of debt, the Assembly called on the member governments of the Council of Europe to act in concert in order to resolve the problems of debt, at the same time recommending that debtor countries should apply adjustment policies with the aim of restoring economic growth.

Addressing the Assembly in the traditional economic debate, Mr Jean-Claude Paye, Secretary-General of OECD, considered the economic situation in the OECD area as a whole to be encouraging and gave reasons for his optimistic forecast of continued growth over the next 12 to 18 months.

Lastly, the parliamentarians discussed the role and place of Europe in the East-West dialogue ahead of the third Conference on Security and Cooperation in Europe, due to open officially in Vienna on 4 November (→ point 2.2.47).

Meeting of the ministers' deputies with the Secretary-General of the Commission

2.2.46. The annual discussion between the Commission's Secretary-General and the Council of Europe ministers' deputies took place in Strasbourg on 10 September.

Besides reviewing cooperation during the year between the Community and the Council of Europe, notably in the health and environment fields, the deputies dis-

¹ Extracts from Sir Geoffrey's speech are reproduced at point 3.4.1.

² Bull. EC 7/8-1986, point 2.4.4.

cussed the action taken following the contacts made between the Commission and the Council of Europe Secretariat in the context of the Committee of Ministers' resolution of 25 April 1985,¹ and also debated the Council of Europe proposal for bringing all 21 member countries within the scope of Community legislation.

Conference on security and cooperation in Europe

2.2.47. A meeting began in Vienna on 23 September to prepare the ground for the Conference on security and cooperation in Europe (CSCE) due to open there on 4 November.

The purpose of the meeting was to determine the working procedures, methods and timetable of the Vienna Conference, the third of its kind since the conclusion of the Helsinki Final Act in 1975. The delegations from the 35 participating States had been given instructions to complete the preparations by 6 October.

The Community and, by extension, the Commission, will take part in the Conference by virtue of the issues involving Community powers that are covered by the CSCE negotiations, notably aspects relating to economic, scientific, technological and environmental cooperation and also the Mediterranean.

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2.2.48. The Unctad Trade and Development Board met from 8 to 10 September (→ point 2.2.29).

2.2.49. A special session of the General Conference of the International Atomic

Energy Agency (IAEA) was held in Vienna from 24 to 26 September (→ point 2.1.161).

Diplomatic relations

2.2.50. The following ambassadors presented their letters of credence to the President of the Council and the President of the Commission. Their appointments took effect on the dates shown.

16 September

HE Mr Siasoi Taimani'Aho, Head of Mission of the Kingdom of Tonga to the European Communities; HE Mr Richard Clifford Demeritte, Head of Mission of the Commonwealth of the Bahamas to the European Communities;

29 September

HE Mr Julius Nako Tsoanamatsie, Head of Mission of the Kingdom of Lesotho to the European Communities; HE Mr Charles Savarin, Head of Mission of Dominica to the European Communities; HE Mr Cyriaque Samba-Panza, Representative of the Central African Republic to the EEC and Head of Mission to the ECSC and Euratom; HE Mr Atmono Suryo, Head of Mission of the Republic of Indonesia to the European Communities; HE Mr Anthony N. Wiratunga, Head of Mission of the Democratic Socialist Republic of Sri Lanka to the European Communities.

The Head of Mission of the Bahamas is the first ambassador from that country to be accredited to the European Communities. This brings the number of diplomatic missions to 129.

¹ Bull. EC 4-1985, point 2.2.51.

3. Financing Community activities

Budgets

General budget

2.3.1. After the Council meeting (Budgets) of 21 and 22 July failed to establish a draft budget for 1987,¹ the Commission presented to the budgetary authority a communication on recent developments affecting the 1986 budget and the 1987 preliminary draft budget,² a preliminary draft amending budget No 1 for 1986³ and a letter of amendment to the 1987 budget.⁴

2.3.2. The preliminary draft amending budget for 1986 deals mainly with revenue. Since the Commission presented its two proposals (letter of amendment for 1986⁵ and preliminary draft budget for 1987,⁶) there have been a number of new developments which directly affect the 1986 and 1987 budgets. Two main factors have emerged: a sharp drop in the value of imports, leading to a substantial reduction in own resources from customs duties in 1986; and, the movement of various national currencies in relation to the ECU. In addition, the VAT base could not be re-estimated until the Member States' VAT statements for 1985 had been received in July. When the Commission presented the letter of amendment for 1986 on 3 July,⁷ it therefore limited itself to expenditure and stated that it would be making proposals to amend revenue in September.

The Commission is therefore proposing two measures to the budgetary authority to cover these reductions in revenue: the entry of an estimated 326 million ECU in appropriations carried over from 1985 which will lapse because they will not be used for technical reasons (the transfer to the ECSC budget, protocols for Mediterranean products and expenditure for which no legal base has been provided); the allocation of surplus appropriations of 450 million ECU compared with the expenditure initially forecast in some EAGGF Guarantee chapters (in particular milk, wine and olive oil).

2.3.3. The changes to the preliminary draft budget for 1987 are far less significant. Since the Commission took most of the above factors into account when presenting the preliminary draft budget for 1987, it is not proposing any changes to revenue. The letter of amendment makes a number of minor changes to expenditure to take account of factors emerging since the beginning of July.

1986 budget

Council statement on preliminary draft amending budget No 1/1986

2.3.4. At its meeting on 8 and 9 September the Council (Budgets) issued the following statement on preliminary draft amending budget No 1/1986:

'The Council took note of the serious situation revealed by the Commission's communications² and preliminary draft amending budget,³ whereby there was likely to be a revenue shortfall in the 1986 budget which could have serious implications for the resources available in 1987.

In view of these problems, the Council, in its capacity as one branch of the budget authority, urges the Commission to take all possible measures in the execution of the 1986 budget to ensure that expenditure is reduced in an equitable way so that a balanced budget is maintained while taking account of the Community's obligations and avoiding the slippage of expenditure to 1987.

The Council invited the other branch of the budget authority to join in this request.

The Council noted that the Commission would provide more precise data on revenue and expenditure to the budget authority later in 1986.'

¹ Bull. EC 7/8-1986 point 2.3.7.

² COM(86) 470 + addendum.

³ COM(86) 475.

⁴ COM(86) 480.

⁵ Bull. EC 4-1986, points 1.2.2 and 2.3.2.

⁶ Bull. EC 4-1986, points 1.2.3 to 1.2.17 and 2.3.3 to 2.3.5.

⁷ Bull. EC 7/8-1986, point 1.1.3.

1987 budget

Establishment of the draft budget by the Council

2.3.5. On 9 September the Council then established the draft general budget for 1987 on the basis of the Commission's preliminary draft¹ and the letter of amendment to this preliminary draft.²

It set appropriations for commitments at 36 944.8 million ECU and appropriations for payments at 35 945.6 million ECU. The breakdown by sector is shown in Table 10.

For the Council non-compulsory expenditure totalled 9 887.3 million ECU in appropriations for commitments and 8 896.7 million ECU in appropriations for payments, increases of 3.94% in commitments and 4.08% in payments in relation to the 1986 base.

With the exception of the EAGGF Guarantee Section (22 960.8 million ECU), compulsory expenditure amounts to 4 096.7 million ECU in appropriations for commitments and to 4 088.0 million ECU in appropriations for payments.

Parliament's first examination of the draft budget

2.3.6. At its part-session from 8 to 11 September Parliament held an initial exchange of views on the outcome of the Council meeting of 8 and 9 September. During the debate Mr Christophersen, speaking on behalf of the Commission, regretted that the Council had departed so far from the Commission's proposals, in particular as regards the appropriations urgently needed for research, development, advanced technologies and development cooperation.

Own resources

2.3.7. On 12 September the Commission adopted a Decision³ determining the amount of VAT own resources payable by

the Federal Republic of Germany for 1984 in respect of transactions covered by the 20th Council Directive of 16 July 1985,⁴ which authorized this Member State to use the VAT system, by way of derogation from the Sixth VAT Directive,⁵ to grant special aid to its farmers to compensate for the dismantling of monetary compensatory amounts. The amount is DM 127.2 million.

Budget discharge

2.3.8. On 11 September, in accordance with the Financial Regulation of 21 December 1977,⁶ the Commission sent the Council an interim report⁷ on action taken in response to the comments made in Parliament's resolution accompanying the decision granting discharge in respect of the implementation of the 1984 budget.⁸

2.3.9. On 23 September the Commission transmitted to the Council for information its report to Parliament on action taken on the recommendations in the European Parliament's resolution of 14 June 1985 accompanying the decisions granting discharge in respect of the financial managements of the second, third, fourth and fifth European Development Funds for the financial year 1983.⁹

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2.3.10. On 12 September Parliament adopted a resolution on the campaign to combat the Mafia in Europe (→ point 2.4.11).¹⁰

¹ Bull. EC 4-1986, point 1.2.3 *et seq.* and points 2.3.3 to 2.3.5; Bull. EC 6-1986, point 2.3.1.

² COM(86) 480.

³ OJ L 279, 30.9.1986.

⁴ OJ L 192, 24.7.1985; Bull. EC 7/8-1985, point 2.1.74.

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

⁶ OJ L 356, 31.12.1977.

⁷ COM(86) 423 final.

⁸ OJ C 120, 20.5.1986; OJ L 150, 4.6.1986; Bull. EC 4-1986, point 2.3.7.

⁹ OJ C 175, 15.7.1985; OJ L 174, 14.7.1985; Bull. EC 6-1985, point 2.4.5.

¹⁰ OJ C 255, 13.10.1986.

Financial operations

ECSC

Financial report for 1985

2.3.11. On 12 September the Commission sent the Council, Parliament and the Court of Auditors the ECSC financial report (borrowing and lending operations) for 1985,¹ containing the ECSC financial statements at 31 December 1985, on which the Court of Auditors delivered its opinion on 30 June.²

Loans raised

2.3.12. In September the Commission made a number of private placings in marks, sterling and lire for the equivalent of 55.79 million ECU.

Loans paid out

2.3.13. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission made the following loans in September totalling 204 000 ECU:

Subsidized housing

2.3.14. Loans for the building of subsidized housing for ECSC workers amounted to 204 000 ECU.

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Completion of pre-accession aid to Portugal

2.3.15. On 5 September, under the agreement of 3 December 1980 on pre-accession aid³ and the agreement of 7 November 1984 on a specific (pre-accession) financial aid for improving agricultural and fisheries structures in Portugal,⁴ the Commission decided to authorize the commitment of 9 421 338 ECU for nine projects meeting the objectives of these agreements. It also authorized one of its Members to sign the necessary financing agreements with the Portuguese Government.

¹ COM(86) 473 final. ECSC Report 1985, Office for Official Publications of the European Communities, Luxembourg.

² OJ C 208, 19.8.1986.

³ OJ L 349, 23.12.1980; Bull. EC 12-1980, point 2.2.6; Commission programme for 1980, point 157.

⁴ OJ L 333, 21.12.1984; Bull. EC 12-1984, point 2.2.2.

4. Political and institutional matters

European political cooperation

2.4.1. On 6 and 7 September the Foreign Ministers held an informal Gymnich-type meeting at Bocket Hall in the United Kingdom. Sir Geoffrey Howe informed the press that the following topics, all involving political cooperation, had been discussed: terrorism (the incidents in Karachi and Istanbul), South Africa, East-West relations, the CSCE, the Middle East (Unifil, Libya) and relations between European political cooperation and its main international partners.

2.4.2. The Foreign Ministers held a political cooperation meeting on the fringe of the Council meeting on general affairs held in Brussels on 15 and 16 September, during which they adopted a statement on South Africa.

Statement on South Africa

1. The Foreign Ministers of the Twelve reviewed their policy towards South Africa in the light of decisions adopted at the Hague European Council on 26/27 June.¹ They heard a report from Sir Geoffrey Howe on the mission to the region which he undertook at the request of the Heads of State or Government.

2. Ministers expressed their grave concern that the situation in South Africa appeared to have entered a new phase of increased tension under the state of emergency. They shared the widespread anxiety within the Member States over reports of the conditions in which some detainees are being held. They once again condemned the practice of detention without trial. They called for the release of all people so detained under the state of emergency, which they wished to see brought to an end.

3. Ministers underlined the importance they attached to the strengthening and more effective coordination of the positive measures being taken to assist the victims of apartheid both by Member States and by the Community itself. They noted that the draft Community budget for 1987 forwarded to the European Parliament by the Council on 10 September contained an increased provision for the Community programme, with particular emphasis on training.

4. Ministers reaffirmed the urgent need for a genuine national dialogue, across lines of colour, poli-

tics and religion. They deplored the fact that the South African Government was not yet prepared to take the steps necessary to make this possible. Two steps in particular were identified at The Hague:

- (i) the unconditional release of Nelson Mandela and other political prisoners;
- (ii) the lifting of the ban on the African National Congress, the Pan Africanist Congress of Azania and other political parties.

They undertook to work towards a programme of political action designed to promote the achievement of these objectives.

5. In view of the South African Government's failure to respond and after consultation with other industrialized countries Ministers decided that the Twelve should now proceed to adopt a package of restrictive measures on the lines envisaged at The Hague. This consists of bans on new investment and on the import of iron, steel and gold coins from South Africa. On implementation, they took an immediate decision to suspend imports of iron and steel in the framework of the ECSC Council with effect from 27 September.

Ministers also decided to ban the import of gold coins originating in South Africa and new investments in that country, without prejudice to the means of implementation of these measures which will be the subject of further examination by the Committee of Permanent Representatives and the Political Committee.

6. Most partners were also willing to implement a ban on the import of coal from South Africa if a consensus on this could be achieved. On this question, the Presidency will continue to seek consensus on the basis of the statement made by the Hague European Council.²

2.4.3. On 24 September the Commission sent the Council proposals for a Regulation and a Directive to implement the decisions taken by the Foreign Ministers to ban imports of gold coins and new investments (→ points 2.1.6 and 2.2.5).

2.4.3a. At the same meeting the Foreign Ministers adopted statements on the release of political prisoners in Poland and in Chile.

¹ Bull. EC 6-1986, point 1.1.18.

Statement on the release of political prisoners in Poland

'The Twelve welcome the decision of the Polish Government announced on 11 September on the release of political prisoners. Recalling their statement on the occasion of the amnesty announced in July 1984, they hope that the Polish Government's action on this occasion will prove to be an important step towards national reconciliation and that it will be followed by further measures to promote dialogue and democratic reform.'

Statement on Chile

'The Twelve are deeply concerned about the reimposition of the state of siege and the repressive measures that have followed the attempted assassination of General Pinochet. They deplore all acts of violence from whatever quarter. The Twelve express the strongest concern about the loss of life which has taken place and call for the immediate lifting of the state of siege.

The Twelve call on the Chilean Government to resume without delay and accelerate the process of restoring democracy, without which no lasting solution to the country's problems is possible. They appeal for the immediate release of imprisoned opposition leaders, trade unionists, journalists and others summarily detained, for the lifting of restrictions on the media and an end to the activities of armed bands in Chile. And they reiterate their hope that an early dialogue can be started between the Government and the democratic opposition.

The Twelve protest in the strongest possible terms about the deplorable incident in Santiago on 8 September involving the Dutch chargé d'affaires. This was a serious breach of the Vienna Convention on diplomatic relations and the Twelve call for the immediate release of the students arrested on that occasion.'

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2.4.4. In his capacity as President of the Council, Sir Geoffrey Howe delivered the traditional speech to the United Nations General Assembly in New York on 23 September on behalf of the Community and its Member States (→ point 3.4.1).

The Foreign Ministers of the Twelve also had a working lunch in New York on 26 September with the Foreign Ministers of the Gulf Cooperation Council countries to

discuss current topics of international interest. The Commission was represented by Mr Claude Cheysson, Member with special responsibility for North-South relations.

2.4.5. At its July part-session Parliament adopted a resolution on terrorism (→ point 2.4.12).¹

European policy and relations between the institutions

European policy

Ratification of the Single European Act

2.4.6. The Single European Act² was approved by the Belgian Chamber of Representatives on 10 July and by the Senate on 24 July. The instruments of ratification were deposited in Rome on 25 August.

Institutions and organs of the Communities

Parliament³

Strasbourg: 8 to 12 September

2.4.7. Despite a very full agenda Parliament's September part-session did not witness any momentous debate. An impressive number of resolutions were adopted, most of them demanding action from the Commission, in many cases in new areas. Considering the Commission's limited resources

¹ OJ C 255, 13.10.1986.

² Supplement 2/86 — Bull EC.

³ The complete texts of the resolutions adopted by Parliament are reproduced in OJ C 255, 13.10.1986, and the report of the proceedings is contained in OJ Annex 2-342. 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).

Parliament did not always weigh the financial, administrative or even political consequences of all the many demands made during debates on the role of the European Regional Development Fund, the future of the European Social Fund, aid to farmers who had been victims of various disasters and strengthening Community control mechanisms to combat the Mafia.

It was in the sphere of external relations that Parliament made its most searching appraisal; with the meeting of ministers from all the GATT contracting parties only a week away, the House again condemned protectionism and submitted Community relations with Japan to in-depth scrutiny (→ point 2.4.8).

Japan — the thorn in Europe's side

2.4.8. While it acknowledged that some of the blame for the present imbalance lay with European industry's inability to compete with the Japanese for lack of timely investment in new technologies, the report by Mr James Moorhouse (*ED/UK*) on trade and economic relations with Japan held that reducing Japan's excess trade surplus with the Community must be one of the top priorities for Community diplomacy. Although Europe only had itself to blame for being commercially second best to a Japan still going from strength to strength, the Japanese had to bear their responsibilities in maintaining the international trading system, by tempering their aggressiveness on export markets and by at last opening up their domestic market to foreign competition. The large majority by which this comprehensive report was adopted was obtained mainly through some fruitful give and take between the political sides. The initial report had generally laid the main emphasis on Japan's responsibility for the imbalance affecting trade with the Community, whereas the Socialists in particular wanted to see equal emphasis on the Community's failings. So the House smoothed some rough edges in the original text, polished certain passages and added some barbs of self-criticism.

Despite these subtleties the figures speak for themselves. They highlight the deterioration in our trade situation with Japan: for the Community, the rate of coverage of imports from Japan by exports fell from 98% in 1967 to 72.6% in 1970 and 44% in 1975 and today stands at only 35%. Between 1980 and 1984 the Community's total deficit with Japan rose from 7 700 to 15 500 million ECU. For 1985, Japan's trade surplus should reach 45 000 million dollars with the US and 15 000 million with the Community. What are the reasons for this state of affairs? They lie almost entirely in the enormously successful Japanese sales of manufactured products, coupled with the failure of foreign producers to penetrate the Japanese market. Japan's economic development is rooted in the country's ability to turn imported raw materials into manufactured goods intended first and foremost for international export markets; Japan's processing industry is almost entirely concentrated on a range of popular high-technology, consumer goods (video recorders, television sets, cars, motorcycles, etc.). But there are other reasons for the deficit. The difficulties which European manufactured goods encounter in trying to penetrate the Japanese market are to be formed by distribution channels which are almost reserved exclusively for Japanese products (which explains why, in 1984, Japanese imports of manufactured products amounted in value to only 2.7% of GNP as against 6.3% for the Community and 7.8% for the United States) and by restrictive regulations governing foreign establishments in the banking and insurance sectors (in 1985, the 76 foreign banks represented in Japan — 25 of them from the Community — accounted for only 0.8% of total deposits and 3.6% of loans).¹

2.4.9. In order to deal with this persistent imbalance, the causes of which he had exhaustively diagnosed in his report, Mr James Moorhouse (*ED/UK*), rapporteur for the Committee on External Economic

¹ Bull. EC 3-1986, point 2.2.10; Bull. EC 4-1986, point 2.2.13.

Relations, called on the Japanese Government to take the following measures without delay: completely open up Japan's domestic market by removing all remaining tariff and non-tariff barriers to trade; substantially increase Japan's imports of manufactured goods, by adopting some form of verifiable import targets, engage in major purchases of civil and military hardware from abroad¹ and making greater use of state incentives to encourage European investment in Japan; further raise the value of the yen so as to properly reflect the underlying strength of the Japanese economy by means of both macroeconomic policy and a faster and more systematic liberalization of the Japanese financial system.²

Until such time as these objectives had been attained, Mr Moorhouse proposed that Japan should engage in concerted export restraint over a range of sensitive consumer goods designated by the Community.³ The Community in turn must strengthen its anti-dumping procedures, significantly expand its export promotion activities in Japan, establish Community guidelines concerning Japanese investments in Member States in order to promote import substituting and employment-generating investment, and recommend that Member States permit further Japanese access to their domestic financial markets only on the basis of comparable access on equal terms within Japan.

In her brief statement Mrs Lynda Chalker, Minister of State at the Foreign Office and President of the Council, spoke of the Community's mounting deficit with Japan, observing that all Japan's trading partners were suffering in the same way. She told the House that these problems would be broached in the next round of multilateral GATT negotiations, when Japan must expect to be pressed again by its trading partners to play a role in the world trading system more closely attuned to its economic weight. The recent statements by Prime Minister Nakasone were 'encouraging', she said, but there was no sign of these good intentions in the trade figures.

The debate threw up two conflicting approaches. The first, paradoxically espoused by the Socialists and the Italian Communists, was largely to highlight Europe's failings and its industry's lack of competitiveness. The second, advanced notably by the EPP Group and the European Democrats laid most emphasis on Japan simply having to abandon her many protectionist practices. One of Europe's critics, Mr James Ford (*Soc/UK*), declared that the trade deficit with Japan was threatening jobs in Europe, but urged European governments not to accuse Japan of offences they had committed themselves: if Europe could no longer compete with Japan, it was at least partly Europe's own fault. He criticized the Moorhouse report for failing to put a distinctly European perspective on the problem, contending that it was far too closely linked with the interests of the United States. The resolution which, as it stood, was 'the right answer to the wrong question', was liable to give the wrong message to the Japanese. Europe's weak and dying industries must be protected against not unfair but unbeatable competition. Mr. Carlo Galluzzi (*Com/I*) felt that the general thrust of the resolution conflicted with the Community's commercial policy. He disapproved of any tit-for-tat reaction consisting simply of reprisals against Japan's undeniably restrictive practices. Let Europe make more effort but avoid any economic war with Japan — which Europe was by no means sure of winning — declared Mr Michel Toussaint (*Lib/F*), who was also worried that the Community might become isolated in the new round of GATT negotiations. Mr Ib Christensen (*Rainbow/DK*)

¹ In 1982, under a threat of action within GATT, the Japanese Government gave the Community assurance of 'moderation' concerning exports of 10 products (Bull. EC 1-1982, point 2.2.26; Bull. EC 5-1982, point 2.2.44) and promised seven sets of measures to open up the Japanese market (Bull. EC 12-1982, point 2.2.60).

² Bull. EC 3-1986, point 2.2.10; Bull. EC 4-1986, point 2.2.13.

³ Following the undertakings given in 1982 (Bull. EC 12-1982, point 2.2.60), Japan produced a three-year 'action programme' on 30 July 1985 (Bull. EC 7/8-1985, point 2.3.18), which is far removed from what the Community would have liked.

saw the resolution as nothing short of a declaration of war against Japan, its main aim being to shield the Community's obsolete industries. Even more radical was Mr Pino Romualdi (*ER/I*), who believed that it was not Japan but Europe that must change. It was up to the Europeans to show they were commercially more intelligent and not to ask for impossible things like revaluing the yen.

The main lines of the resolution were, in contrast, endorsed by Mr Axel Zarges (*EPP/D*). But he, too, recognized that while Japan had to take steps to open up its markets in response to the repeated wishes of the Europeans, European industry must in turn rise to the Japanese challenge by multiplying its offices in Japan and making more searching studies of Japanese markets and marketing methods, in other words by marking an effort. But, added Mr Zarges, if within 12 months Japan was still doing nothing in response to our requests, then the Community should take steps to protect its economy. Mr Michael Kilby (*ED/UK*) found that Europe had never had the political will to take the necessary corrective action, whilst the Japanese had been 'devilishly clever' in capitalizing on the benefits of the world free-trade system as they loudly proclaimed the superiority of the home product — and protected it by high tariffs and other practices! Mr Kilby condemned these arrogant and spurious claims. Referring, in particular, to Scotch whisky, whose formula the Japanese were always trying to steal and on which they imposed an iniquitous tax, Mrs Winifred Ewing (*EDA/UK*) said it typified their selfish and unethical behaviour. Finally, Mr Tom Normanton (*ED/UK*) declared that Japan's success in the world was the success of a nation and not just the success of an industry. It was achieved by practices that were not ours, which meant that the GATT — designed by the West to deal with commercial problems — was no longer fitted to deal with difficulties arising from business conducted according to different rules. His conclusion was that the GATT would have to be completely revamped.

Speaking for the Commission, Mr Willy De Clercq, the Member responsible for external relations and commercial policy, said he could agree with both sides. He agreed that the rebalancing of trade relations with Japan should be achieved not by limiting Japanese exports to the Community but by developing Community exports to Japan. But he also agreed that Japan was not sufficiently well integrated into the world economy. He believed that the Community should claim all its rights under the GATT in its trade relations with Japan, as it had already done for video recorders¹ and digital disc readers and might possibly do for alcoholic drinks.²

At the end of the debate Parliament was able to adopt by an overwhelming majority — 244 votes for, 3 against and 11 abstentions — the report by Mr Moorhouse on trade and economic relations between the European Community and Japan. This near unanimity was secured by a certain amount of compromise which resulted in several amendments being passed that toned down some of the original passages and deleted assertions that were sometimes very hard on the Japanese authorities. The amendments were tabled mainly by the left (Mr Hans-Joachim Seeler (D) for the Socialists and Mr Carlo Galluzzi (I) for the Communists) but also by the EPP Group (Mr Otmar Franz (D), Mr Jochen van Aerssen (D) and Mrs Yvonne van Rooy (NL)). All emphasized the fact that Europe must not simply play the victim but must respond to the Japanese challenge by doing as well as Japan. The Franz and van Rooy amendment, for instance, 'considers it to be crucial that the common European internal market be completed by 1992 at the latest³ so that the substantial competitive disadvantages suffered by European industry compared with Japanese industry because of the frag-

¹ OJ L 351, 28.12.1985; Bull. EC 12-1985, point 2.3.13.

² Bull. EC 4-1986, point 2.2.14 and Bull. 7/8-1986, point 2.2.13.

³ See Commission White Paper on completing the internal market published in the Document Series — Office for Official Publications of the European Communities, Luxembourg; Bull. EC 6-1985, point 1.3.1. *et seq.*

mentation of the European market are overcome'. With the same end in view the Seeler-Ford-Cohen (Soc) amendment asks the Commission to make proposals for promoting the teaching of Japanese in the Member States, ignorance of the language being regarded as a serious handicap on the Japanese market. Among those that sought to be less explicit and emphatic in accusing Japan and that laid more stress on the Community's responsibility for the trade imbalance, was another Seeler-Ford-Cohen amendment which conceded that 'a major and important reason for the current trade imbalance is the inability of Community industry to compete with Japanese industry because of a lack of Community investment in new technology in the past'.

Earlier, during the explanations of vote, Mr James Ford (Soc/UK) had said that although it still had certain reservations, his Group would vote for the report after the compromise amendments secured by Mr Jochen van Aerssen (EPP/D). Mr Carlo Galluzzi (COM/I), Mr Jorge Pegadoliz (EDA/P), Mr Thomas Raftery (EPP/D) and Ms Joyce Quin (Soc/UK) also said they would endorse the report. Only Mr Herman Verbeek (Rainbow/NL) declared that he would vote against it, since Japan had simply exploited the lessons learnt from European and American capitalism. He also refuted the charges against Japan: if Japan was dumping electronic goods the Community was doing the same with agricultural products!

2.4.10. Parliament gave opinions on the following Commission proposals and report:

- (i) a Directive on the legal protection of original topographies of semiconductor products (→ point 2.1.16);
- (ii) a Regulation and a Decision on the coordination and promotion of research in the fisheries sector (1985-89) (→ point 2.1.40);
- (iii) the 10th annual report on the activities of the European Regional Development Fund (→ point 2.1.77);

(iv) a Directive on the protection of animals used for experimental and other scientific purposes (→ point 2.1.96);

(v) an amendment to the Council Directive on the disposal of waste oils (→ point 2.1.93);

(vi) a Regulation laying down the conditions under which non-resident carriers may transport goods or passengers by inland waterway within a Member State (→ point 2.1.150);

(vii) a Regulation laying down the conditions under which non-resident carriers may transport goods or passengers by road within a Member State (→ point 2.1.148);

(viii) Memorandum No 3 from the Commission with a series of specific proposals for maritime transport (→ point 2.1.153);

(ix) a Regulation to reduce the import levy applicable to certain quantities of maize and sorghum (→ point 2.2.10).

2.4.11. Parliament also passed resolutions on the following subjects:

The closure of the Belgian Michelin tyre factory and the crisis in the tyre industry. Parliament condemned Michelin's behaviour for having informed neither the Belgian Government nor the trade unions of the planned closure and the resulting collective redundancies. The House also expressed its solidarity with the affected employees and called for strict implementation of the Council Directive of 17 February 1975 on collective redundancies,¹ which provides for sanctions in such circumstances. It also called for the conclusions of the Council meeting of 21 July 1986 on the information and consultation of workers in undertakings with complex structures² to be reviewed and urged the Commission to take fresh initiatives in consultation with both sides of industry in order to ensure that a Directive was adopted as soon as possible. Finally, the House called on the Commission to begin consultations with the

¹ OJ L 48, 22.2.1975.

² OJ C 203, 12.8.1986; Bull. EC 7/8-1986, point 2.1.102.

Case	Subject	Basis
Infringements	addressed to all Member States and signed for the Commission's Director-General for External Relations (which states that the typewriters imported from Taiwan are Japanese in origin and are therefore already subject to an anti-dumping duty)	
240/86 Commission v Greece ²	Articles 30, 106(1) and (5) EEC — Council Regulation (EEC) No 2727/75 on the common organization of the market in cereals — imports of cereals subject to export exchange authorizations; possible revocation of authorizations granted and re-export conditions	Article 169 EEC
245/86 Commission v Luxembourg ³	Failure to notify measures adopted to incorporate into national law Commission Directive 81/916/EEC and Council Directive 83/265/EEC (paints, varnishes, adhesives)	Article 169 EEC
249/86 Commission v Federal Republic of Germany ⁴	Article 48 EEC; Article 10(3) of Council Regulation (EEC) No 1612/68 — discrimination against migrant workers and their families: requirement that they should be living in decent housing conditions	Article 169 EEC

Disputes between the Community and its staff

v Commission:

243/86 Goyens de Heusch³

v Economic and Social Committee:

248/86 Brüggemann⁵

¹ OJ C 259, 16.10.1986.

² OJ C 258, 15.10.1986.

³ OJ C 260, 17.10.1986.

⁴ OJ C 266, 22.10.1986.

⁵ OJ C 265, 21.10.1986.

2.4.18. Judgments

Date and case	Held
Competition 23.9.1986: 5/85 — 1. Akzo Chemie BV 2. Akzo Chemie (UK) Ltd v Commission	Application dismissed (annulment of the Commission Decision of 6 November 1984 ordering the applicants, pursuant to Article 14(3) of Regulation No 17/62, to submit to an investigation in the plastics sector)

Date and case	Held
<p>24.9.1986: 213/86 R Montedipe SpA v Commission¹</p>	<ol style="list-style-type: none"> 1. The operation of Article 4 of the Commission Decision of 23 April 1986 is suspended in relation to the applicant, on condition that the latter provides a bank guarantee acceptable to the Commission which guarantees payment of the fine imposed by Article 3 of the contested decision together with any default interest 2. The applicant must provide the said bank guarantee to the Commission within a maximum period of 15 days from the date on which the order is notified. During that period, the Commission must refrain from taking any measures to enforce its Decision pursuant to Article 192(EEC)
<p>Agriculture</p>	
<p>24.9.1986: 214/86 R Hellenic Republic v Commission¹</p>	<ol style="list-style-type: none"> 1. The application for suspension of the operation of Commission Decision 86/475 of 20 June 1986 is dismissed as regards the amount mentioned in paragraph 19 of the Court order, namely DR 3 390 277 403 2. As regards the amount of DR 4 804 749 681 mentioned in paragraphs 16 and 17 of the Court order, the Commission must refrain from all measures of enforcement since Commission Decision 86/475 contains no final decision in regard to the said amount 3. The Court order extends and replaces the order of 25 August 1986
<p>Development policy</p>	
<p>26.9.1986: 231/86 R Breda-Geomineraria v Commission</p>	<p>Application dismissed (application for interim measures)</p>
<p>Infringements</p>	
<p>18.9.1986: 116/82 Commission v Federal Republic of Germany²</p>	<p>By authorizing the processing of quality wines produced in specified regions outside the specified regions or their immediate proximity, the Federal Republic of Germany has failed to fulfil its obligations under the EEC Treaty and Article 2(1) of Commission Regulation (EEC) No 1698/70</p>
<p>18.9.1986: 48/85 Commission v Federal Republic of Germany²</p>	<p>By refusing to permit the addition of rectified grape must concentrate in the production of local wine and of quality wines produced in specified regions, the Federal Republic of Germany has failed to fulfil its obligations under the common organization of the market in wine, in particular Articles 32 and 33 of Council Regulation (EEC)</p>

Date and case	Held
	No 337/79 on the common organization of the market in wine and Article 8 of Council Regulation (EEC) No 338/79 laying down special provisions relating to quality wines produced in specified regions

Disputes between the Community and its staff

v Commission:

30.9.1986: 176/83 — Allo³

30.9.1986: 233/83 — Agostini and Others³

30.9.1986: 247/83 — Ambrosetti and Others³

30.9.1986: 264/83 — Delhez and Others³

v Council:

30.9.1986: 174/83 — Ammann and Others

v Economic and Social Committee:

30.9.1986: 175/83 — Culmsee and Others

Applicaitons dismissed (claim that salary arrears paid in December 1982 pursuant to Council Regulation (EEC) No 3139/82 should have been increased by interest in order to compensate for the financial loss suffered by the applicants)

¹ OJ C 265, 21.10.1986.

² OJ C 258, 15.10.1986.

³ OJ C 266, 22.10.1986.

Economic and Social Committee

239th plenary session

2.4.19. The Economic and Social Committee held its 239th plenary session on 17 and 18 September with Mr Muhr in the chair. The session was attended by Mr Matutes, Member of the Commission with special responsibility for policy on small and medium-sized enterprises. It was the last held by the present membership following the Council's appointment of a new Committee for the period 21 September 1986 to 20 September 1990.¹

All the opinions on the Committee's very full agenda were adopted and largely supported the Commission proposals.

The Committee also issued an own-initiative opinion on Community relations with Japan and the United States and decided to send the Community institutions two information reports, one on the importance of technological research and develop-

ment to small and medium-sized enterprises and the other on Community rail policy.

Relations with industrialized countries

2.4.20. The Economic and Social Committee issued an own-initiative opinion on Community relations with Japan and the United States. As regards Japan, the Committee proposed that the Community take the necessary steps (which could include the introduction of a special tariff) to curb Japanese exports to the Community if Japan does not enter into precise commitments to reduce its present trade surplus with the Community. The Community should also press for a 'monetary gesture' from Japan in the form of a more realistic exchange rate between the yen and the European currencies. As far as the United

¹ OJ C 244, 30.9.1986. For the composition of the ECSC Consultative Committee's Bureau and standing committees, see OJ C 261, 18.10.1986.

States is concerned, the Committee called for dialogue and mutual consultation in an attempt to bring all the problems affecting relations between the two countries before GATT, in particular the search for outlets for agricultural products on world markets.

Information reports

2.4.21. The Economic and Social Committee sent the Community institutions an information report on the importance of technological research and development to small and medium-sized enterprises. Mr Matutes welcomed the report, which he felt would have a wide-ranging impact on the business world and on the Commission. He stressed the important role of small business in the field of job-creation and referred to the Commission's action programme for SMEs, which was intended to provide the basis for a major discussion within the Community.¹

2.4.22. The Economic and Social Committee also sent the Community institutions an information report setting out the objectives and strategy for a Community rail policy.

Foodstuffs

2.4.23. The Economic and Social Committee adopted, with two votes against and nine abstentions, an opinion on the communication on Community foodstuffs legislation sent by the Commission to the Council and the European Parliament pursuant to the Commission's White Paper on completing the internal market.²

The Committee welcomed the Commission communication. It stressed that food legislation must not be harmonized at the expense of human health or food quality. An effective Community-wide system of informative labelling was essential for consumer protection. As regards the division of legislative powers between the Council and the Commission, the Committee took the view that, under the new procedure, the Standing Committee for Foodstuffs should

take its decisions by qualified majority and that the Economic and Social Committee should be consulted.

2.4.24. The Economic and Social Committee adopted unanimously an opinion on the proposal for a Council Directive on the approximation of the laws of the Member States concerning food additives authorized for use in foodstuffs intended for human consumption.³ It noted that only four lists of additives had so far been harmonized at Community level and that a more flexible procedure was therefore necessary. The new procedure includes mandatory consultation of the Scientific Committee for Food followed by the Advisory Committee on Foodstuffs, with publication of both Committees' findings.

2.4.25. The Economic and Social Committee adopted unanimously an opinion on the proposal for a Council Directive on the approximation of the laws of the Member States relating to materials and articles intended to come into contact with foodstuffs.⁴ It welcomed the proposal but expressed reservations on the proposed advisory committee procedure.

2.4.26. The Economic and Social Committee adopted unanimously an opinion on the proposal for a Council Directive on the approximation of the laws of the Member States relating to foodstuffs intended for particular nutritional uses.⁵ The Committee felt that, generally speaking, it was necessary to differentiate more clearly between foodstuffs for particular nutritional uses which have a medical application and those which are for ordinary consumption.

2.4.27. The Economic and Social Committee adopted *nem. con.*, with four abstentions, an opinion on the proposal amending the Council Directive on the approximation

¹ Bull. EC 7/8-1986, point 1.3.1 *et seq.*

² Bull. EC 11-1985, point 2.1.18.

³ OJ C 116, 16.5.1986; Bull. EC 4-1986, point 2.1.10.

⁴ OJ C 124, 23.5.1986; Bull. EC 4-1986, point 2.1.10.

⁵ OJ C 124, 23.5.1986; Bull. EC 4-1986, point 2.1.12.

of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs for sale to the ultimate consumer.¹

The Committee welcomed the proposal which is designed both to consolidate the internal market and to provide standard improved information for all Community consumers. It also extends the number of cases in which labelling measures can be adopted by simplified procedure. The Committee feels that this extension is justified by the technical application of the measures in question and the need to speed up harmonization.

Simple pressure vessels

2.4.28. The Economic and Social Committee adopted *nem. con.*, with seven abstentions, an opinion on the proposal for a Council Directive on the harmonization of the laws of the Member States relating to simple pressure vessels.² It approved this proposal, which it feels can serve as an important example for the package of proposals relating to other technical areas. It suggested dispensing with the idea of the transitional period and making every effort to promote the prompt formulation of European standards. It called on the Commission to submit a timetable drawn up in consultation with CEN/Cenelec as provided for by the Council resolution of 17 May 1985,³ to indicate to the parties concerned when the European standards will be entering into force.

Integrated services digital network

2.4.29. The Economic and Social Committee adopted unanimously an opinion on the proposal for a Council recommendation on the coordinated introduction of the integrated services digital network (ISDN) in the European Community.⁴ The Committee stressed the need for the development of a communications network of this kind at Community level and is therefore very much in favour of this proposal which will provide users with a great many new possibilit-

ies for satisfying the growing demand for information, give the industry the chance to increase production thanks to the opening up of vast markets (particularly in the face of competition from the United States and Japan) and possibly stimulate job creation as a result of the inflow of investment. However, the Committee thinks that the Commission's plan for the creation of the ISDN would be easier to implement if the proposal took the form of a directive instead of a recommendation.

Transferable securities

2.4.30. The Economic and Social Committee adopted unanimously an opinion on the proposal for a Council Directive complementing that of 20 December 1985⁵ as regards jurisdiction in disputes arising from the marketing of units of undertakings for collective investment in transferable securities (UCITS).⁶ The Committee approved the proposal but made a number of comments. It considers, for example, that the proposal is not applicable in the case of units acquired on a stock exchange.

Annual accounts and consolidated accounts

2.4.31. The Economic and Social Committee adopted by 81 votes to 18 an opinion on the proposal to amend the Council Directives on annual accounts and consolidated accounts as regards the scope of those Directives.⁷ It welcomed the proposal, which it considers is fully justified by the existence within the Community of a large and steadily growing number of partnerships, limited partnerships and unlimited companies. It noted that small firms will not be affected by the proposal unless their

¹ OJ C 124, 23.5.1986; Bull. EC 4-1986, point 2.1.12.

² OJ C 89, 15.4.1986; Bull. EC 3-1986, point 2.1.13.

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

⁴ OJ C 157, 24.6.1986; Bull. EC 4-1986, point 2.1.27.

⁵ OJ L 375, 31.12.1985; Bull. EC 12-1985, point 2.1.82.

⁶ OJ C 129, 28.5.1986; Bull. EC 4-1986, point 2.1.61.

⁷ OJ C 144, 11.6.1986; Bull. EC 5-1986, points 2.1.19 and 2.1.60.

sole unlimited members are constituted as either public or private limited companies.

Exemption from VAT on the final importation of certain goods and duty-free admission of fuel

2.4.32. The Economic and Social Committee adopted unanimously an opinion on the proposal to amend the Council Directive examining the scope of Article 14(1)(d) of the Sixth VAT Directive as regards exemption from value-added tax on the final importation of certain goods and on the proposal amending the Directive on the standardization of provisions regarding the duty-free admission of fuel contained in the fuel tanks of commercial vehicles.¹ The Committee regards the reduction of technical and administrative checks at frontiers and the simplification of border-crossings for means of transport as beneficial for the flow of goods and freedom of trade within the Community. The proposals will help reduce substantially the number of frontier checks on drivers and vehicles involved in the Community transport of goods and will facilitate administrative customs formalities at most internal frontiers. Frontier checks on fuel in the tanks of commercial vehicles have to be abolished since the quantity of fuel contained in ordinary tanks is exempt from value-added tax and excise duty on hydrocarbons.

Social policy

2.4.33. The Economic and Social Committee adopted, with two votes against and 15 abstentions, an opinion on the report on social developments in the Community in 1985.² Although economic indicators in the Community that year were positive, unemployment continued to rise. The Committee drew attention to the interdependence of economic and social policies and called on the Commission to combine with the European Investment Bank to study conditions for setting up a Community Employment Fund based on new facilities for job-creating investment credit. It also stressed the importance of dialogue between the two

sides of Community industry but felt that such dialogue must be assured of the necessary commitment and appropriate instruments.

'Yes for Europe' programme

2.4.34. The Economic and Social Committee adopted unanimously an opinion on the proposal for a Council Decision adopting an action programme for the promotion of youth exchanges in the Community — YES for Europe — 1987-89.³ It welcomed the proposal and supported the key components of the Commission programme, which includes qualitative and quantitative improvements to exchange schemes in the Community and the identification of a target group made up of all young people between 16 and 25. It urged the Commission from the very start of the programme to develop European machinery to operate alongside the national agencies. It would also like to see the establishment of a European advisory committee and consideration given to the setting-up of a European agency at the review stage.

A people's Europe

2.4.35. The Economic and Social Committee adopted unanimously an opinion on the Commission communication on Community action in the field of tourism.⁴ It welcomed the communication as a continuation of the initial guidelines on a Community policy on tourism,⁵ on which the Committee issued an opinion and a report in 1983.⁶ Nevertheless, it sees it as a restatement of the problems rather than an action programme. It would have preferred a programme setting out a timetable for action similar to the one for the completion of the

¹ OJ C 183, 22.7.1986; Bull. EC 7/8-1986, point 2.1.91.

² Bull. EC 5-1986, point 2.1.67.

³ OJ C 72, 27.3.1986; Bull. EC 2-1986, point 2.1.73.

⁴ Supplement 4/1986 — Bull. EC; Bull. EC 1-1986, point 1.4.1 *et seq.*

⁵ Supplement 4-1982 — Bull. EC.

⁶ OJ C 358, 31.12.1983; Bull. EC 10-1983, point 2.4.46.

internal market.¹ This kind of approach would help reinforce the introduction of a separate Community policy on tourism. The Committee drew attention to the Commission's recent attempts to improve consumer safety and pointed out that this should also apply to tourists since they too are consumers. It also emphasized the responsibility of tourists as regards the protection of the environment. Finally, it suggested that a Tourism Committee be set up consisting of people engaged in tourism as a profession to act as an intermediary *vis-à-vis* the Community institutions.

Agricultural socio-structural policy

2.4.36. The Economic and Social Committee adopted unanimously an opinion on the proposal for a Council Regulation amending four Regulations on agricultural structures and on the adjustment of agriculture to the new market situation and the preservation of the countryside.²

In the Committee's view the proposed measures are so restricted in scope that they cannot provide a solution either to the imbalance between supply and demand or to the Community's socio-structural difficulties but it welcomed the measures on condition that they are regarded solely as a first step towards a socio-structural policy forming a consistent part of the common agricultural policy.

It hoped, too, that the Community's new structural policy would not jeopardize the modernization of farms as it felt their competitiveness needed to be improved to face up to the challenges of the international market. However, it noted with satisfaction that the Commission considers that structural policy should be geared to helping farmers alleviate the effects of markets and prices policy, in particular as regards farm income, and to achieving the objectives set out in Article 39 of the Treaty.

Inland waterways

2.4.37. The Economic and Social Committee adopted by 91 votes to 10, with three

abstentions an opinion on the proposal for a Council Regulation laying down the conditions under which non-resident carriers may transport goods or passengers by inland waterway within a Member State.³ It is convinced that restrictions on the freedom to provide inland shipping services must also be abolished as part of both the common transport policy and the completion of the internal market. It believes, however, that the Commission proposal does not meet some of the requirements and suggests a number of alterations.

Transport infrastructure

2.4.38. The Economic and Social Committee adopted unanimously an opinion on the Commission communication to the Council on the medium-term transport infrastructure programme and the proposal for a Council Regulation on financial support in connection with this programme.⁴ The very short deadline imposed on the Committee for delivering its opinion meant it was unable to study the communication or the proposal in detail. However, the Committee came out in favour of the draft Regulation, although it regretted that the Council lacks the political will to adopt a longer-term policy.

ECSC Consultative Committee

258th meeting

2.4.39. The ECSC Consultative Committee held its 258th meeting on 18 and 19 September in Swansea, Wales, when it appointed its Spanish and Portuguese members.

The Committee gave its opinion on the forward programme for steel for the final quarter of 1986 (→ point 2.1.23) and on

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

² Bull. EC 4-1986; point 1.3.1 *et seq.*

³ OJ C 331, 20.12.1986; Bull. EC 11-1985, point 2.1.166.

⁴ Bull. EC 6-1986, point 2.1.221.

the revision of prospects for the solid fuels market (→ point 2.1.155).

Forward programme for steel

2.4.40. In the course of discussions on the forward programme for steel approved by the Commission in September some members of the Committee pointed out that, although consumption had remained stable in real terms, demand had increased in the first quarter leading to excessive storage and strong pressure on prices. Others felt that the Commission's forecasts were over-optimistic in view of increased imports by steel consumers, in particular the tube industry. The Commission was asked to take action in the face of falling exports and rising imports and advised against any deregulation measures which would mean the end of the Community steel industry.

The Commission representative replied that the proportion of steel imports had been reduced from 11.5% to 9% since the introduction of the crisis measures. Although the import factor should not be neglected, it could not be considered the only cause of the fall in prices. Restructured steel undertakings could make a profit in 1986. The Commission representative also felt that liberalization should continue so that a normal market situation could gradually be restored in accordance with the principles of the ECSC Treaty.

Revision of prospects for the solid fuels market

2.4.41. Members of the Committee raised two major points concerning the Commission's revised report on prospects for the solid fuels market. The first point concerned the trend in the market situation in Germany where the coal industry will have to cut back production and possibly introduce part-time working as a result of the drop in oil prices, the fall in the value of the dollar and the decline in demand. The second point made was that the Commission report did not pay sufficient attention to the world situation and did not appear to have any strategic value.

The Commission responded that it had revised its objectives in line with the wishes expressed by the coal industry representatives.

European Investment Bank

Operations in September

2.4.42. Loans totalling 1 423.1 million ECU¹ were announced by the European Investment Bank in September for investment within the Community, including 1 296 million in Italy, 102.4 million in Germany and 24.2 million in France. Outside the Community the Bank lent 10 million ECU in Congo under the third Lomé Convention and 81 million in Algeria and Tunisia under the Financial Protocols between the Community and the two Mediterranean countries.

Community

Italy

2.4.43. Loans in Italy totalled LIT 1 911 400 million, made up of LIT 986 200 million for infrastructures, LIT 750 000 million for investment in the energy sector and LIT 175 200 million for industrial projects.

Infrastructures. LIT 650 000 million was granted for the modernization and extension of the telephone network in the Mezzogiorno to cope with new applications for connection, reduce waiting times, increase switching and transmission capacity and gradually introduce digital technology and make more use of optical fibre cables. The new equipment, which is to be installed in Abruzzi, Molise, southern Lazio, Campania, Basilicata, Apulia, Calabria, Sicily

¹ The conversion rates at 30 June used by the EIB in statistics for the third quarter were 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.

and Sardinia, will also enable data transmission systems to be developed.

LIT 100 000 million went to help finance the first phase of the Autostrada dei Trafori (A26), which will link Piedmont to Simplon on the Swiss border. A further LIT 60 000 million went towards the Rome by-pass, which will connect the A1 Milan-Rome and A2 Rome-Naples motorways, and LIT 40 000 million is to be used to widen the Rome-Naples motorway from two to three lanes.

In the aviation sector, LIT 60 000 million went to Alitalia to help finance the purchase of 10 MD82 aircraft, which will be used for flights between Italy and the other Member States of the Community.

Finally, LIT 76 200 million was granted for local authority projects to protect the environment: LIT 30 000 million in the Arno basin to protect Florence and Pisa from flooding; LIT 15 000 million for waste-water collection and treatment in the basin of the River Po and its tributaries in Lombardy; LIT 10 000 million for a watershed management/anti-pollution scheme in the Metauro river basin in Marche; LIT 4 600 million for the drinking-water system in Potenza; LIT 4 000 million for water supply improvements and the collection and treatment of sewage on the island of Grado to the east of Venice; LIT 4 000 million to control the flow of the River Cordevole in Venezia to prevent erosion and floods; LIT 3 600 million to improve drinking-water supplies in 28 municipalities in Lombardy; LIT 3 000 million for reafforestation and the rehabilitation of forests in the province of Cagliari; and LIT 2 000 million to construct forest service roads in Friuli-Venezia Giulia.

Energy. Loans to the energy sector were as follows: LIT 200 000 million for the extension of the electricity transmission and distribution grids in Campania, Basilicata, Calabria and Sardinia; LIT 100 000 million for the construction of seven geothermal power plants in Tuscany; LIT 80 000 million for the modernization and upgrading of eight hydroelectric power stations in

northern Italy; LIT 80 000 million for the development of three natural gas fields in the Adriatic; LIT 80 000 million to strengthen the gas transmission and storage system in north west Italy; LIT 50 000 million for the establishment and extension of gas grids in the Mezzogiorno; LIT 20 000 million to assist the conversion to natural gas and the extension of the network in Naples and neighbouring municipalities; LIT 20 000 million for the modernization and upgrading of the Coghinas hydroelectric power station in Sardinia; and LIT 40 000 million for the development of the 'Vega' oilfield in the Sicilian Channel.

A further LIT 80 000 million was advanced in the form of global loans (LIT 50 000 million to Banca Nazionale del Lavoro (BNL) and LIT 15 000 million each to the Istituto Bancario San Paolo di Torino and to Centrobanca) to finance small and medium-scale ventures in industry and/or infrastructure to promote a more rational use of energy.

Industry. The EIB granted LIT 125 700 million, also in global loans, for small and medium-scale ventures in the industrial and services sectors, made up of LIT 35 700 million to Mediocredito Centrale (throughout the country), LIT 30 000 million to the Istituto Regionale per il Finanziamento alle Industrie in Sicilia (IRFIS) (Sicily), LIT 25 000 million to BNL/Mediocredito (Mezzogiorno) and, from the resources of the new Community borrowing and lending instruments (NCI),¹ LIT 25 000 million (central and northern Italy) and LIT 10 000 million to the Istituto Federale di Credito Agrario for agro-industrial investments in Piedmont, Valle d'Aosta and Liguria.

In addition LIT 19 500 million was lent for the extension and modernization of a textile plant in Frosinone, Lazio, LIT 15 000 million for the enlargement of a factory manufacturing anti-cancer products and antibiotics in Nerviano, Lombardy, and LIT 15 000 million for the extension of a

¹ OJ L 298, 20.10.1978; Bull. EC 10-1979, point 2.1.10.

high-technology research centre for electronics and telecommunications in Turin.

Germany

2.4.44. The EIB lent DM 220 million in Germany, mainly for environmental protection, of which DM 150 million took the form of a global loan to the Westdeutsche Landesbank Girozentrale for small and medium-scale environmental protection and energy-saving projects. The aim is to reduce or prevent pollution through the collection, treatment, disposal or recycling of gaseous, liquid and solid industrial and domestic wastes. The manufacture and installation of equipment to protect and improve the quality of the environment, particularly measuring and monitoring systems, also fall within the scope of the global loan. On the energy-saving front, eligible projects include the use of renewable alternative sources of energy and investment schemes geared to the rational use of energy at the extraction, processing, distribution and consumption stages, as well as the production and installation of the necessary equipment.

A further DM 70 million went towards modifying two thermal power stations to reduce considerably atmospheric pollution in densely populated areas. At Merkenich combined heat and power plant near Cologne, DM 40 million is to part-finance the replacement of three steam generators burning gas and oil by one modern lignite-fuelled boiler. With a steam-generating capacity of 300 t/hr, the new boiler will employ the fluidized bed combustion process, the cleanest process currently in existence. This will lead to a substantial reduction in the emissions of sulphur dioxide and nitrogen oxide. Flue-ash emissions will be cut down by means of electrostatic filters. As the plant will be burning locally-mined lignite, the project will also help reduce dependence on imported fuels.

Finally, DM 30 million is to be used to finance the installation of flue-gas cleaning equipment at Voerde power station on the Rhine, about 25 km north of Duisburg.

Here, desulphurization by means of the so-called wet process will reduce the sulphur dioxide content of emission to below the legally-set limit. Electrostatic filters are also to be installed. Given that the power station with its two 700 MW units burns more than 2 million tonnes of coal a year, this project will make a major contribution to reducing atmospheric pollution.

France

2.4.45. The EIB granted loans totalling FF 166 million in France, mainly for industrial projects: FF 120 million went to small and medium-scale projects in the parts of western France receiving regional development aid, with the Société de développement régional Bretagne and Sodero each onlending FF 60 million for investment projects selected in agreement with the EIB. This introduces a new kind of financial package, as it is the first time that two regional development corporations have cooperated closely to negotiate an EIB loan. This flexible and effective approach should further improve cooperation between the EIB and regional development corporations.

In addition, FF 16 million was granted for the manufacture of equipment to computerize industrial production as part of the Community's efforts to promote the use of advanced technologies. The loan was granted to Lectra-Systèmes SA, located near Bordeaux, to enable it to increase production capacity and step up research and development work on equipment for computer-aided design and manufacture (CAD and CAM). The funds are to be used for the construction of buildings, the adaptation of a workshop, the installation of new production equipment for the electronic, mechanical and laser sectors, and the modernization and development of computer hardware. The equipment will enable firms in the ready-made clothing industry to increase productivity considerably (less expensive machines with greater capacity). Further possible applications exist in the leather, plastics and composite materials industries.

Finally, FF 30 million went to finance the next stage of operations on the by-pass east of Toulouse, which will form a continuous motorway link between the Toulouse-Bordeaux and Toulouse-Narbonne motorways (A62 and A61), the main route from the Atlantic to the Mediterranean. The by-pass, which will have a direct impact on traffic in the south-west of France, will improve communications between Toulouse and its airport, and between the economic centres of Castres-Mazamet and Albi-Carmaux. The planned high-speed road between Toulouse and Albi will also join the eastern by-pass. The project, which is to become operational in June 1988, is for a 14 km long, three-lane dual carriageway with eight interchanges. Traffic levels are expected to reach 40 000 to 50 000 vehicles daily by 1990.

Outside the Community

Mediterranean countries

2.4.46. In Algeria the EIB lent 60 million ECU under the second Financial Protocol between the EEC and Algeria to help upgrade the RN1 between Quatre Chemins de Boufarik, south of Algiers, and Blida to motorway standard. The road has now reached saturation point at peak hours, carrying traffic flows between the two towns of up to 21 000 vehicles per day. It serves southern Algeria as far as Tamanrasset and beyond that provides a link with Niger and Mali. The loan was combined with a 2% interest subsidy funded from the Community budget. The improvements are costed at 150 million ECU and cover 18 km of road. An existing section of two-lane

dual carriageway will be extended, a by-pass constructed around Beni Mered and the by-pass around Boufarik completed. The works also include the realignment of intersecting roads and the construction of 8 interchanges and 15 bridges.

2.4.47. In Tunisia the EIB lent 21 million ECU for the development of farm complexes in an attempt to increase agricultural production and reduce dependence on food imports. The loan was advanced to the Banque Nationale de Développement Agricole (BNDA) for projects designed chiefly to improve meat and milk production in the north and centre of the country. Works include the improvement of basic on-farm infrastructure, the construction of cattle-sheds and sheepfolds, the planting of some 1 000 ha with almond, pistachio and pomegranate trees, and the purchase of machinery and livestock. The loan is made up of 14 million ECU from EIB own resources with a 3% interest subsidy funded from the Community budget, and 7 million ECU on special terms from Community budgetary resources.

ACP countries

2.4.48. The EIB lent 10 million ECU in the People's Republic of the Congo for the rehabilitation and improvement of the water supply system in Pointe Noire, one of the country's main towns; supplies will be increased from 8 000m³ to more than 16 000 m³ per day. The funds are drawn from the risk capital managed by the Bank. The borrower is the Congolese Government, which will onlend to the Société Nationale de Distribution des Eaux (SNDE), a State-owned company controlled by the Ministry for Mines and Energy.





PART THREE
DOCUMENTATION

1. ECU

Values in national currencies of one ECU

30 September 1986 ¹	
Belgian franc and Luxembourg franc (convertible)	43.3485
Belgian franc and Luxembourg franc (financial)	43.7680
Danish krone	7.89441
German mark	2.09059
Greek drachma	139.098
Portuguese escudo	151.350
French franc	6.84577
Dutch guilder	2.36189
Irish pound	0.762944
Italian lira	1 445.29
Spanish peseta	137.554
Pound sterling	0.712521
United States dollar	1.02959
Swiss franc	1.69698
Swedish krona	7.12479
Norwegian krone	7.59994
Canadian dollar	1.42887
Austrian schilling	14.7160
Finnish mark	5.05633
Japanese yen	159.072
Australian dollar	1.63818
New Zealand dollar	2.10551

¹ OJ C 245, 1.10.1986.

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

September 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 8.54064 ²
German mark	2.41047 ³ 2.39792 ⁴ 2.38516 ⁵
Greek drachma	116.673
Portuguese escudo	153.283 ⁶ 151.812 ²
French franc	7.31248 ³ 7.54546 ⁷ 7.20771 ⁸ 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 0.817756 ^{1, 10} 0.782478 ^{2, 10}
Italian lira	1 539.00 ⁹ 1 554.00 ⁵
Spanish peseta	147.208 ¹ 145.796 ²
Pound sterling	0.654044 ⁷ 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 sheepmeat and goatmeat.

⁷ For pigmeat.

⁸ For wine.

⁹ For cereals and oilseeds.

¹⁰ With effect from 22 September 1986.

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 4-1986

Point 2.1.128

Proposed amendments to the proposal for a Council Regulation on the designations used in the marketing of milk and milk products

OJ C 234, 16.9.1986

Bull. EC 6-1986

Points 1.3.1 to 1.3.4

Proposal for a Council Directive amending for the third time the First Council Directive for the implementation of Article 67 of the EEC Treaty (liberalization of capital movements)

OJ C 229, 10.9.1986

Point 2.1.20

Withdrawal of a proposal for a Council Directive on the approximation of the laws of the Member States relating to cocoa and chocolate products intended for human consumption

OJ C 226, 6.9.1986

Bull. EC 7/8-1986

Point 2.1.163

Council Directive of 14 July 1986 concerning the Community list of less-favoured farming areas within the meaning of Directive 75/268/EEC (Germany)

OJ L 273, 24.9.1986

Point 2.1.164

Council Directive of 14 July 1986 concerning the Community list of less-favoured farming areas within the meaning of Directive 75/268/EEC (Spain)

Council Directive of 14 July 1986 concerning the Community list of less-favoured farming areas within the meaning of Directive 75/268/EEC (Portugal)

OJ L 273, 24.9.1986

3. Infringement procedures

Initiation of proceedings for failure to implement directives

3.3.1. In September 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:

Agriculture

Commission Directive of 14 December 1984¹ amending Annexes I and II to the Council Directive

of 14 June 1966 on the marketing of fodder plant seed² (Belgium, Germany, France, Italy, Luxembourg).

Council Directive of 11 December 1984³ amending the Council Directives of 26 June 1964⁴ and 12 December 1972⁵ as regards certain measures

¹ OJ L 16, 19.1.1985.

² OJ 125, 11.7.1966.

³ OJ L 339, 27.12.1984.

⁴ OJ 121, 29.7.1964.

⁵ OJ L 302, 31.12.1972.

relating to foot-and-mouth disease and swine vesicular disease (Ireland).

Council Directive of 11 December 1984¹ amending the Council Directive of 26 June 1964² as regards brucellosis in respect of the buffered brucella antigen test, the micro-agglutination test and the milk ring test as applied to samples of milk (Belgium, Greece, France, Italy, Ireland, Luxembourg).

Council Directive of 12 June 1985³ amending the Council Directive of 26 June 1964² as regards certain measures relating to classical swine fever and African swine fever (Belgium, Greece, France, Italy, Ireland, Luxembourg).

Council Directive of 12 June 1985³ amending the Council Directive of 22 January 1980,⁴ as regards certain measures relating to African swine fever (Belgium, Greece, France, Italy, Ireland, Luxembourg).

Council Directive of 12 June 1985³ amending the Council Directive of 12 December 1972⁵ as regards certain measures relating to classical swine fever and African swine fever (Belgium, Greece, France, Italy, Ireland, Luxembourg).

Council Directive of 12 June 1985³ amending the Council Directive of 26 June 1964 on health problems affecting intra-Community trade in fresh meat² (Belgium, Greece, Italy, Ireland).

Council Directive of 12 June 1985³ amending the Council Directive of 15 February 1971 on health problems affecting trade in fresh poultrymeat⁶ (Belgium, Denmark, Greece, Italy, Ireland, United Kingdom).

Council Directive of 20 June 1985³ amending the Council Directive of 21 December 1976 on health problems affecting intra-Community trade in meat products⁷ (Belgium, Greece, Italy, Ireland).

Council Directive of 12 June 1985³ amending the Council Directive of 21 December 1976 on health problems affecting intra-Community trade in meat products⁷ (Belgium, Germany, Greece, France, Italy, Ireland, United Kingdom).

Environment and consumer protection

Council Directive of 8 March 1984 on limit values and quality objectives for mercury discharges by sectors other than the chlor-alkali electrolysis industry⁸ (Italy).

Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste⁹ (Italy). Council Directive of 20 March 1985 on the approximation of the laws of the

Member States concerning the lead content of petrol¹⁰ (Italy).

Council Directive of 25 November 1983¹¹ amending the Council Directive of 26 July 1971 on the approximation of the laws of the Member States relating to textile names¹² (Italy).

Fifth Commission Directive of 18 July 1984¹³ 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 products¹⁴ (Italy, Ireland).

Customs union and indirect taxation

Council Directive of 4 March 1969 on the harmonization of provisions laid down by law, regulation or administrative action relating to customs warehousing procedure¹⁵ (Greece).

Council Directive of 4 March 1969 on the harmonization of provisions laid down by law, regulation or administrative action relating to free zones¹⁵ (Greece).

Council Directive of 21 June 1971 on harmonization of the provisions laid down by law, regulation or administrative action relating to the usual forms of handling which may be carried out in customs warehouses and free zones¹⁶ (Greece).

Reasoned opinions

3.3.2. The Commission delivered reasoned opinions in the following cases of failure to inform the Commission of national measures to give effect to directives:

Agriculture

Commission Directive of 23 June 1982 laying down the categories of ingredients which may be

¹ OJ L 339, 27.12.1984.

² OJ L 121, 29.7.1964.

³ OJ L 168, 28.6.1985.

⁴ OJ L 47, 21.2.1980.

⁵ OJ L 302, 31.12.1972.

⁶ OJ L 55, 8.3.1971.

⁷ OJ L 26, 31.1.1977.

⁸ OJ L 74, 17.3.1984.

⁹ OJ L 326, 13.12.1984.

¹⁰ OJ L 96, 3.4.1985.

¹¹ OJ L 353, 15.12.1983.

¹² OJ L 185, 16.8.1971.

¹³ OJ L 228, 25.8.1984.

¹⁴ OJ L 262, 27.9.1976.

¹⁵ OJ L 58, 8.3.1969.

¹⁶ OJ L 143, 29.6.1971.

used for the purposes of labelling compound feedingstuffs for pet animals¹ (France, Italy, Ireland).

Third Commission Directive of 22 December 1982² amending the Annex to the Council Directive of 2 April 1979 on the marketing of compound feedingstuffs³ (France, Italy).

Council Directive of 7 February 1983⁴ amending the Council Directive of 12 December 1972 on health and veterinary inspection problems upon importation of bovine animals and swine and fresh meat from third countries⁵ and the Council Directive of 21 December 1976 on the examination for trichinae (*Trichinella spiralis*) upon importation from third countries of fresh meat derived from domestic swine⁶ (Belgium, France, Italy, Ireland)

Commission Directive of 7 June 1984⁷ amending the Annexes to the Council Directive of 21 December 1976 on the examination for trichinae (*Trichinella spiralis*) upon importation from third countries of fresh meat derived from domestic swine⁶ (Belgium, France, Italy, Ireland).

Council Directive of 11 December 1984⁸ amending the Council Directives of 26 June 1964⁹ and 12 December 1972¹⁰ as regards certain measures relating to foot-and-mouth disease and swine vesicular disease (France, Italy, Luxembourg).

Council Directive of 11 December 1984⁸ amending the Council Directive of 22 January 1980 introducing Community measures for the control of classical swine fever¹¹ (Belgium, France, Italy).

Environment and consumer protection

Council Directive of 3 December 1982 on procedures for the surveillance and monitoring of environments concerned by waste from the titanium dioxide industry¹² (Belgium).

3.3.3. The Commission delivered reasoned opinions in the following cases of failure to incorporate directives correctly into national law:

Agriculture

Council Directive of 21 December 1976 on protective measures against the introduction into the

Member States of harmful organisms of plants or plant products⁶ (Belgium, France, Italy, Luxembourg).

Environment and consumer protection

Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products¹³ (Denmark).

Third Commission Directive of 29 June 1983¹⁴ adapting to technical progress Annexes II, III and V to the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products¹³ (Denmark).

Council Directive of 26 October 1983¹⁵ amending for the third time the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products¹³ (Denmark).

Financial institutions and taxation

Council Directive of 5 March 1979 coordinating the conditions for the admission of securities to official stock exchange listing¹⁶ (France).

3.3.4. The Commission also delivered reasoned opinions in the following cases: Demolition premiums in inland navigation (Germany). Monetary compensatory amounts on the export of flour (France). Monetary compensatory amounts on the export of wheat (United Kingdom).

¹ OJ L 213, 21.7.1982.

² OJ L 386, 31.12.1982.

³ OJ L 86, 6.4.1979.

⁴ OJ L 59, 5.3.1983.

⁵ OJ L 302, 31.12.1972.

⁶ OJ L 26, 31.1.1977.

⁷ OJ L 167, 27.6.1984.

⁸ OJ L 339, 27.12.1984.

⁹ OJ L 121, 29.7.1964.

¹⁰ OJ L 302, 31.12.1979.

¹¹ OJ L 47, 21.2.1980.

¹² OJ L 378, 31.12.1982.

¹³ OJ L 262, 27.9.1976.

¹⁴ OJ L 188, 13.7.1983.

¹⁵ OJ L 332, 4.11.1983.

¹⁶ OJ L 66, 16.3.1979.

4. The Community at the UN

Extracts from the speech made by Sir Geoffrey Howe, President of the Council, on behalf of the Community and the Member States to the United Nations General Assembly on 23 September

3.4.1. 'Last year my predecessor Jacques Poos, the Foreign Minister of Luxembourg, spoke here as representative of 10 Member States in the EC.¹ It is my privilege to address you on behalf of 12 Member States, since the Community has welcomed two new members — Spain and Portugal. Their accession weaves two more strands of European culture and history into one ever-thickening cable. Meanwhile the construction of Europe goes on. We are ratifying new treaty provisions on foreign policy cooperation. And by the end of 1992, we mean to have broken down the barriers which still divide the Community; so that, from Aberdeen to Athens, from Copenhagen to Cadiz, goods, services and capital, and by no means least, people, can move freely between us.

Our Community has learnt to work together in domestic affairs. It is now the world's single greatest trading bloc. Individually we have made powerful contributions to world affairs: our contribution must and will grow — now that we act together. The principles of the Charter of the United Nations have always been basic to our Community. We believe that our history imposes on us a particular responsibility to work for these principles and to promote in the world the ideal of dialogue and peaceful cooperation which has served the 12 Member States so well.

But Europe, the wider Europe, remains divided. Twenty-five years ago the Berlin wall cast its shadow between *East and West*. Barbed wire and concrete set neighbours and families apart from each other. These man-made divisions oblige us, as Europeans, to search for reconciliation and the rebuilding of trust between nations. Our common history and culture encourage us to believe we can succeed.

The accident at Chernobyl has added a new dimension to exchanges between East and West. Let us hope that the lessons of this accident will be well learned. As Martin Luther King Jnr said: "we must learn to live together as brothers, or perish together as fools".

For us in Europe, as for the rest of the world, better *relations between the two super-powers* are of the greatest importance. We warmly welcomed the Geneva Summit meeting last November between President Reagan and General Secretary

Gorbachev. We share the widespread hope that there will be another summit this year. This prospect has already produced major proposals by both sides. We therefore much regret that the arrest of a respected American journalist in Moscow has cast a cloud over these hopes. We look for its early removal.

The Geneva negotiations have as one priority the prevention of an arms race in outer space. The other urgent priority is deep cuts in the strategic and intermediate forces of the United States and the Soviet Union. We believe that the United States, the Soviet Union, and Europe can make significant progress towards disarmament without compromising their security. And an early agreement on the world-wide elimination of chemical weapons should and must be obtained.

Even if the objective of general and complete *disarmament* can only be gradually achieved, it remains none the less our ultimate goal. But agreements will have lasting value only if they are fair, balanced and verifiable. And, if confidence is to grow, existing arms control agreements must be respected by all parties. We are approaching a critical period: there is an opportunity for major decisions. Future generations will not forgive failure.

Arms control and disarmament negotiations are only part of East/West relations. Practical steps are needed to overcome the tension and divisions which lie behind the high level of armaments.

This is why the *Helsinki Final Act* is so important. It is fundamental for the health of East/West relations that all the Helsinki commitments should be honoured. We look to all the participants in the CSCE process to do so. At the CSCE Follow-up Meeting in Vienna we will press for the sort of steps which ordinary people in our countries can see and understand. The Twelve warmly welcome the successful conclusion of the *Stockholm Conference* last weekend. The agreement that has been reached there is a significant contribution towards reducing the risk of war in Europe and towards establishing greater confidence between East and West. The Twelve, who made a substantial contribution to that result, will seek to build on it both in the field of arms control and more widely in the CSCE process.

Although *Afghanistan* and *Cambodia* are two countries far distant from our own, the outside interventions there symbolize many of the problems we face in East/West relations and in working for greater stability in the world at large. In Afgh-

¹ Bull. EC 9-1985, point 3.5.1.

anistan in particular, some small detachments of Soviet troops may be withdrawn; but over 110 000 Soviet troops will still remain. Tens of thousands of Afghan citizens have been killed as a result of the Soviet occupation. They will not return to life. Four million remain outside their country, living as refugees. Many of them have been taken in by Pakistan, which has been rewarded by numerous attacks launched across her borders from Afghanistan.

The principles which must underlie a solution have been massively endorsed by this Assembly on many occasions. The Soviet Union should implement these principles, withdraw all its troops from Afghanistan and agree an acceptable timetable without delay. We support the UN Secretary General's efforts to resolve the conflict. Only their success—and soon—can prevent further suffering.

Few parts of the world have suffered more than the *Middle East* from the ancient feuds and modern factions of Churchill's phrase. Our approach is the same: to counsel dialogue and cooperation. There are no military answers to the conflicts in the Middle East — or in North Africa.

A just, lasting and comprehensive settlement of the *Arab/Israel dispute* can be achieved only through negotiation. We take encouragement from the agreement between Egypt and Israel over Taba. We have made known our views on many occasions. We stand by them. An international conference could make a major contribution, if the gap between the parties can be narrowed and if they can agree on the principle and nature of such a conference. All parties should clearly and unambiguously accept two principles: the right to existence and security of all States in the area, including Israel; and the right of the Palestinian people to self-determination, with all that that implies. We appeal to the parties concerned, the Arab States, Israel and the Palestinian people, to open the door to peace by recognizing each others' rights.

The Twelve are working individually and collectively to help development in the *Occupied Territories*. We call on Israel, pending its withdrawal in accordance with SCR 242, to fulfil scrupulously its obligations as the occupying power and to ease restrictions on political activity and economic development. But such measures must be a prelude to, not a substitute for, true peace negotiations.

Six years ago this month the conflict between *Iran and Iraq* broke out. It has claimed well over half a million casualties, and gravely damaged both countries. It is a source of great concern to their neighbours in the Gulf, with whom we sympathize. We have unreservedly condemned the use of chemical weapons and the escalating attacks by

both sides on shipping in the Gulf. The two countries should ask themselves — what possible good is served by continuing this conflict. We would deeply deplore any further escalation.

It should be accepted equally by both parties that this conflict can only be brought to an end by negotiation. SCR 582 forms the best basis for such a negotiated settlement. We urge Iran and Iraq to agree an immediate ceasefire and to seek a peaceful, honourable solution to their differences, cooperating fully with the Secretary-General in the exercise of his good offices.

In the *Western Sahara*, too, we appeal to the parties to respond positively to the Secretary General's efforts to find a peaceful solution.

The UN is doing vital work in the effort to preserve *Lebanon's* sovereignty, unity, independence and territorial integrity. We deplore recent incidents which have put new obstacles in the way of Unifil's mission. We extend our sympathies to the victims. We wish to underline the urgency and importance of taking measures to enable the Force to carry out its mission safely and effectively. The latest events have demonstrated how intolerable the present situation has become.

I turn now to the problem of *Cyprus* which, after too many years, remains an important matter of international concern. The island remains tragically divided. The Twelve reaffirm their strong backing for the independence, sovereignty, territorial integrity and unity of Cyprus in accordance with the relevant UN Resolutions. We stand fully by our previous statements. In particular we reject any action which purports to establish an independent State within Cyprus. And, as we have made clear on many occasions, we support the Secretary-General in his mission of good offices for a just and viable solution of the problem. We ask all concerned to cooperate with him and not to take any action which might make his task more difficult.

In *South Africa* the Twelve have worked to promote the genuine national dialogue which is so obviously and urgently needed if there is to be a peaceful solution to the country's problems. South Africa's policies affect her neighbours too. We have forcefully condemned her armed incursions against neighbouring countries. There must be no recurrence of these armed raids.

The Twelve have repeatedly made clear their revulsion at apartheid. We have demanded that it should be abolished. We utterly reject a philosophy which denies opportunity or liberty to one child, yet gives ordinary rights and privileges to another, solely on the basis of his or her colour. Such a system breeds hatred and violence. There have

been reforms in South Africa — but too few and too slow to stem the surging bitterness and bloodshed in the country. The present State of Emergency has brought desolation to the homes of many thousands of people imprisoned without trial. This has worsened, not improved, the prospects for peaceful change.

Violence will not end apartheid. Instead conditions must be created in which dialogue can begin. But dialogue is impossible while black leaders remain imprisoned or detained and black organizations proscribed. That is why the Twelve have repeatedly called on the South African Government to release unconditionally Nelson Mandela and other political prisoners and to lift the ban on the African Nation Congress, the Pan African Congress of Azania and other political parties.

In September 1985 the European Community countries agreed on a series of measures — some restrictive, some positive — designed to impress on the South African Government the inescapable need for fundamental reform. In June this year at The Hague the European Council decided to take additional action. As part of this, Heads of State or Government of the Twelve asked me to undertake a mission to southern Africa. In the course of two visits to the area in July I sought to explain the policies of the Twelve to South Africa's neighbours and to impress upon the South African Government our deep concern and the need for steps to encourage a peaceful negotiated solution.

In the absence of any progress in that direction, and having consulted the major western industrialized countries, the Twelve agreed at Brussels last week to impose a ban on new investments in South Africa, and on the import of iron, steel and gold coins from South Africa. These measures represent a further step, reinforcing the measures we took last year which include bans on all exports to and imports from South Africa of arms and paramilitary equipment, a ban on oil exports, and a ban on all new cooperation in the nuclear field.

In addition we are implementing a concerted European programme to help the victims of apartheid, both individually and collectively. We are helping those arrested under the State of Emergency, and we are putting heavy emphasis on programmes of training and education for black South Africans. We are also helping South Africa's neighbours, for example over the improvement of transport facilities in the region.

We will keep up our effort in all these areas and do everything we can to promote urgent and peaceful change.

Time is short. We appeal to the South African Government to look to the future, to accept that

fundamental change is inevitable. They clearly understand the demographic and economic challenge. South Africa's white leaders are sowing the wind. Unless sincere negotiation begins now, their own children will reap the whirlwind.

The South Africa Government also bears a heavy responsibility in *Namibia*. Last year they set up a so-called 'Transitional Government of National Unity'. This has no status whatsoever under the UN plan. We cannot accept unilateral moves by South Africa to transfer power in *Namibia*. We call upon the South African Government to implement the United Nations Plan without further delay.

Central America is another area where armed force will solve nothing. Dialogue and peaceful negotiation are the only way forward; a political solution is of the highest importance. It must emerge from the region itself. We support the Contadora peace process which is a major step in the right direction. But further effort is needed by all concerned to reduce regional tensions. At Luxembourg last November, we established a political dialogue with *Central America* to underline our active support for that process in the interests of stability and pluralist democracy. We also signed a cooperation agreement. We reiterate our intention to increase our aid to the region substantially, in order to encourage regional cooperation and economic development.

Mr President, on behalf of the United Kingdom I shall be circulating a separate national communication on the Falklands.

More widely in Latin America, we have been encouraged by the continuing consolidation of democracy in most countries of *South America*. We hope that this process will continue throughout the region. But problems certainly remain in some countries. We have made plain our particular concern about human rights abuses and the continuation of violence in *Chile*. The Chilean Government has reimposed a state of siege following the attempted assassination of General Pinochet. We view this development with deep concern. We reiterate our hope that the Government will immediately release political prisoners and initiate without delay a dialogue with the democratic opposition about a peaceful restoration of democracy.

The *human rights* abuses in Chile and South Africa are by no means unique. This Assembly cannot remain indifferent in the face of the systematic violations of individual liberties, of the tyranny, oppression and indiscriminate violence which persist in many countries. And of the fact that hunger, disease and lack of opportunity deny the most basic economic and social rights to countless people.

On 21 July 1986 we issued a statement setting out our principles in this field. This was a signal of the high priority we attach to human rights in our international relationships. This Assembly has established clear standards — in the Universal Declaration of Human Rights and other international instruments. We seek the universal observance of those instruments. That is what our people expect, not just fine words. We therefore attach particular importance to maintaining and strengthening the mechanisms established by the United Nations for the protection of human rights.

The scourge of *international terrorism* has brought a new precariousness to modern life. It has killed innocent people in airports, shopping arcades, and crowded streets. We utterly condemn cowardly attacks like the Karachi hijack and the recent atrocities in Istanbul and Paris. They can do nothing to help the political causes which their perpetrators profess to believe in. Our horror is greater when sovereign States lend their support — moral or material — to the terrorists. This year we have taken certain steps to deter State-supported terrorism, particularly in the case of Libya. No country which supports terrorism can expect to enjoy normal relations with the Twelve. We are determined to do more and a Ministerial meeting of the Twelve will be taking place the day after tomorrow to consider future action: we shall not tolerate such behaviour by supposedly responsible governments.

The problem of *drugs*, too, demands an urgent collective effort. International drug trafficking is now on a scale which threatens to undermine whole societies. Close international cooperation is required to defeat this evil trade. We shall play our part at the World Conference in Vienna next June — a valuable initiative by the Secretary-General.

Economic issues have been central to the development of the European Community. It is now the world's largest trade grouping, accounting for 20% of world trade. We are the world's largest importer, in particular of products from developing countries, amounting to USD 105 billion in 1985. Our 320 million citizens are linked to some 400 million people in Africa, the Caribbean and the Pacific through our trade and aid agreements with their countries. We are collectively the largest donors of aid in the world. This economic weight gives us certain responsibilities towards the world's trading systems—and we take these responsibilities seriously.

Since World War Two growth in world *trade* has been stimulated by the progressive dismantling of the tariff barriers that existed between the two World Wars. Nevertheless, there are strains in the world trading system. Old traditional industries in the Western world have faced massive contraction

as comparative advantage has passed to the newly industrialized countries—with traumatic social changes for those involved. Pressures for import controls have grown. They look like easy solutions. But they are not.

Protectionism above all penalizes developing countries by reducing access to prime markets in developed countries. In the developed countries themselves protectionism penalizes consumers, by increasing prices and restricting choice, and exporters by increasing their production costs.

Protectionism is self-defeating. A spiral of retaliatory protectionist measures would have disastrous effects on world trade, particularly for the third world. Let us always remember that trade fosters growth.

The contracting parties of the GATT have just concluded their Ministerial meeting at Punta del Este at which an important agreement has been reached to launch a new round of Multilateral Trade Negotiations. The Community has worked hard for a successful outcome. Multilateral trade negotiations serve two purposes: to renew the GATT system, bringing it up-to-date with the realities of world trade, and to pursue trade liberalization by allowing countries to make concessions multilaterally that they may find difficult to make bilaterally. If we all share the burden of adjustment, we spread the pain. We are fully committed to this process.

You may ask what the Community is doing to give effect to these admirable principles. Two brief examples. First, in the *textiles* sector, the Community has achieved a remarkable degree of restructuring. The Community is glad that the new Multi-Fibre Arrangement agreed in July foresees the application of GATT rules to trade in textiles as a final objective and calls for all participants to cooperate in the progressive liberalization of the textile trade. The Community also argued strongly for the particularly favourable treatment that the new Multi-Fibre Arrangement gives to the least developed countries.

Second, *agriculture*. This is a major political issue. And one that must be tackled urgently. There has been a revolution in food production in the last 10 years. New technology has meant new fertilizers, fatter cattle, new types of grain and rice, more efficient storage. India is now exporting food. China is virtually self-sufficient. These are great success stories which serve as an inspiration to those struggling to overcome food shortages.

But more plus more can equal less. Too much food in some countries can aggravate food shortages in others. Expensive producers growing more can cause poorer producers to grow less. The result is

a tragic paradox: that even in an age of plenty, famine persists. Meanwhile trade disputes become political conflicts, as countries compete to subsidize their food exports, and dispose of their growing surpluses.

We must address these problems now. While recognizing the importance of agriculture for the well-being of rural communities, the Tokyo Summit agreed on the need 'to redirect policies and adjust the structure of agricultural production in the light of world demand.' The Community is committed to this. Heads of Government agreed at the European Council in The Hague in June that 'a better control of total production must be ensured so that it is better adjusted to the market situation.' This is not the responsibility of one country or group of countries. The problem is world-wide, and we can only deal with it—in the words of the Tokyo declaration—in cooperation with each other. Last week, GATT Ministers agreed to launch a new GATT round, including negotiations on agriculture. We have no more important task than to make this a success.

The Tokyo Summit was also an important opportunity to review progress on the *debt* problem. The annual meetings of the International Monetary Fund and World Bank are less than a week away, so I shall be brief.

The last year has seen important changes. International recovery may be in its fourth year but the international economic environment remains unfavourable. Growth is still unevenly distributed throughout the world and growth rates are still lower than we want. Lower interest rates help us all, even if in real terms they are still high by historical standards. Oil price falls help many but severely affect others, and commodity prices generally remain weak. Many debtors have undertaken courageous adjustment programmes. And most of the industrialized countries have reduced the imbalances of the early 1980s which aggravated the difficulties facing debtors.

The debt burden remains heavy for a number of countries. The Community fully support the US initiative for sustained growth, which aims to meet the legitimate aspirations of debtor countries for growth through structural adjustment and economic liberalization with the necessary external financing. Or, in plain language, it recognizes that we sink or swim together. Those who expected instant results misunderstand the initiative and the problem's complexity. But much has been achieved. The World Bank has stepped up its policy-based loans. The IMF and World Bank are working more closely together. And, in recent weeks, they have shown a flexible and imaginative approach to the very difficult problems faced by the oil-producing countries.

There has been much criticism that *resource flows* have declined. This may be so for the banks in the short term: it partly reflects falling short-term demand for loans. But the banks have a crucial role to play in support of the US initiative. We are confident that they will rise to the challenge. For their part the creditor countries are responding to the need to ensure adequate finance for adjustment through rescheduling at the Paris Club; new export credits; aid programmes; and support for the international monetary bodies. The Twelve will support a General Capital Increase for the IBRD at the appropriate time, and they welcome progress towards a USD 12 billion replenishment of IDA 8 to help the poorer countries.

One way or another, be it bilaterally, multilaterally or through the institutions of the European Community, we provide one-third of the world's *official development assistance*. We shall maintain and, where appropriate, expand these flows to meet the commitments we have made individually to the targets established by the UN.

The problems of *Africa* are particularly acute. As the Special Session recognized in May, many countries face grave economic problems. But natural disasters such as droughts and man-made disasters such as civil war have made them far worse. We extend particular sympathy to the people of Cameroon who have suffered the appalling natural calamity of Lake Nyos.

At the *Special Session*, African countries acknowledged the role they themselves must play. The industrialized countries, including the Twelve, agreed on the importance of increasing official development assistance to Africa, its improved quality and effectiveness. We maintain substantial bilateral aid programmes and contribute to international and regional development agencies; in addition, we are making a substantial collective contribution through the Lomé III Convention and other association and cooperation agreements.

Finally, this Organization itself faces a very serious problem: how to confront its financial crisis. A number of countries, over the years, have either delayed payments or withheld contributions. The Twelve collectively provide just under 30% of the United Nations budget. We believe that every State should meet its legal obligations. The Secretary-general has shown courage in proposing certain measures, endorsed by the General Assembly at its resumed session in the spring, to deal with the short-term problem. But further measures are required. There is a clear need for changes in the system which will produce broader consensus on financial issues and help overcome the reluctance of some members to meet their financial obligations.

We are grateful for the work done by the Group of 18 High Level Experts. We shall make a positive and constructive contribution to the discussion of their report. We support the creation of a new mechanism to consider the programme and budget, structured so as to ensure effective decision-making and to contribute to greater rationalization and efficiency within the system. We are firm in our support for the Charter and for a strong and effective UN. Greater budgetary discipline, improved coordination, and rigorous adherence to priorities can only strengthen the organization and ensure its future stability and vigour.

As this session will once again demonstrate, the world faces many grave problems. Too many to cover in one speech—and I have not attempted to do so. So I am also circulating today a memorandum as a companion piece to this speech, describing our position on a number of other issues to which we also attach the highest importance.

Voltaire once observed that in India and China they believe that a prophet will come out of the West whereas people in Europe expect their sages to come from the East. The lesson of this, perhaps, is that we all have something to learn from one another. The UN is a place to listen as much as to speak. And if we do so, perhaps we shall find to our surprise that we can learn from each others' experiences and profit from each others' goodwill.

I have tried to show how our experience of cooperating together in the Community has shaped our positions on a number of key issues facing this Assembly. I believe those positions, though ambitious in aim, are fair and realistic in practice. It is an approach which we believe fulfils the ideals to which this Organization is committed. In our search and support for freedom, peace, justice, democracy and prosperity for mankind, in offering our friendship to all who wish us well, we shall continue to pursue our duty to other nations, notably to those less fortunate than ourselves; at the same time we shall uphold and defend what we have built together.'

Memorandum

1. This Memorandum is circulated concurrently with the speech delivered to the General Assembly today by the Rt Hon Sir Geoffrey Howe QC MP on behalf of the European Community and its 12 Member States. It forms an integral part of that speech.

2. The Memorandum is intended to allow a fuller treatment of a number of issues than would be possible in the compass of one speech. The Twelve have no wish to monopolize the floor, but they do

wish to do justice to certain other issues which they regard as highly important. These include one further African problem, three Asian issues, the problem of nuclear safety and a number of economic issues.

Horn of Africa

3. Over the last year the Twelve have reviewed their policy towards the Horn of Africa. Persisting tensions and related refugee problems are gravely threatening economic development and obstructing normal relations between the countries of the region. Governments in the region have made statements in favour of negotiated political settlements: we urge them to pursue this course and have therefore welcomed the start of talks between Somalia and Ethiopia.

4. We have also urged the Governments of the Horn of Africa to settle internal conflicts peacefully and to ensure respect for human rights in their countries. We remain concerned at widespread food shortages in the area and attach particular importance to measures to prevent further famine and promote food security. Food shortages in the Horn have prompted a massive response from the Community and the European public. As well as giving food and other emergency aid the Community is helping Ethiopia, Somalia, the Sudan, Djibouti and other drought-affected countries to develop peasant farming and prevent renewed famine.

5. We are paying careful attention to the human consequences of resettlement and villagization programmes.

Sri Lanka

6. The Twelve have followed closely the unfolding of events in Sri Lanka where there have been some important and positive developments. These can only give heart to all those innocent people who have suffered from the violence there. We must all hope that the opportunity which now exists to put an end to the violence in Sri Lanka will not be allowed to slip away. We believe that negotiations offer the only sure route to a solution of the country's current problems and that only a negotiated 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 June, President Jayewardena put forward terms for an end to the conflict. The Twelve have welcomed that and have acknowledged India's important role in this process.

Cambodia

7. We are much concerned by the intractable conflict in Cambodia. Vietnamese forces are still illegally occupying Cambodia in clear breach of the UN Charter, violating its territorial integrity, its culture and national identity. Apart from the suffering which Vietnam's policies have inflicted on Cambodia itself, they have also caused ASEAN and other countries serious difficulties, particularly because of refugees and the security threat. The suffering of refugees from Cambodia, Laos and from Vietnam itself is a matter for serious concern. These refugees are a living reproach to the Vietnamese Government.

8. Vietnam has rejected proposals to resolve Cambodia's problems. The Twelve urge the leadership in Vietnam to reconsider. Cambodia must be free both of foreign troops and of any prospect of a return to the appalling activities of the Khmer Rouge. The Twelve will continue to advocate a solution in accordance with the resolutions adopted by the United Nations and, in this spirit they reaffirm their support for UN and ASEAN efforts to end this long-running and disastrous episode in Cambodia's history.

Korea

9. We hope that a peaceful solution can be found by means of direct dialogue between South and North to the problem posed by the continuing division of the Korean peninsula. We hope also that, to this end, the contacts between the two sides broken off earlier this year can be resumed soon and that the people of Korea may shortly be represented at this forum. We wish the Republic of Korea well for the success of the 1988 Olympic Games.

Nuclear safety

10. Nuclear safety is an issue of particular topical concern to our citizens this year. The Chernobyl nuclear disaster demonstrated vividly the scope for greater East/West cooperation. This tragic accident, which spread radioactivity throughout Eastern and Western Europe, demonstrated that in such case international public opinion, governments and the relevant experts must have all the facts, promptly and accurately.

11. We urge the Soviet Union to give the International Atomic Energy Agency and other competent international bodies all necessary information on this disaster. We welcome the successful negotiation of international conventions on early

notification and mutual assistance in the event of further nuclear accidents. We look for their early entry into force.

World economic prospects

12. The international recovery is now in its fourth year. A major factor for this sustained growth has been the unremitting fight against inflation, which is now showing increasingly positive results in all major industrialized countries. As a result, interest rates are substantially lower now than four years ago if still high in real terms by historical standards. The fall in oil prices has improved the prospects for growth for oil-importing countries, both industrialized and developing. But more remains to be done. Low commodity prices, difficulties of market access and indebtedness remain problems for many developing countries. Oil-exporting countries have been adversely affected by lower oil prices. Unemployment in developed countries remains unacceptably high. Uncertainties remain about large and unsustainable imbalances and persistent protectionist pressures.

13. As affirmed in Tokyo, we are committed to a cooperative strategy of promoting structural adjustment by eliminating rigidities, in particular in labour markets, and by continuing with low budget deficits and sound monetary policies. Policies such as these should lead to a continued lowering of inflation and interest rates, faster underlying growth rates and better employment prospects.

14. Many developing countries too have experienced considerable progress in the last four years, although we recognize that in many countries this has been achieved at the cost of painful adjustment measures. Overall output growth has recovered to over 3% and should be helped further by lower energy prices and an improvement of trading opportunities.

Commodities

15. We are concerned about the position of the many developing countries whose economies are dependent on the production and sale of a few primary commodities. The narrow base of these economies is a brake on development and can be a source of economic instability. But the brake could be released and the problems overcome most effectively through growth-oriented structural adjustment, diversification and expansion of trade-flows, linked with measures by these countries themselves to mobilize domestic savings and

investment and to stop capital flight, coupled with adequate financial flows. The Community will work to create an economic environment in which commodity-dependent countries can both develop and tackle structural problems. In formulating our own trade and domestic policies we will take account of their export needs and, where there is a clear economic advantage for the countries concerned in so doing we will continue to support their efforts to develop or expand processing, marketing and distribution facilities.

16. In the case of some commodities and markets, agreements and arrangements of varying types may be useful. But changes in patterns of demand, the effects of government policies, the entry of new producers to markets and improvement in production techniques are among the factors giving rise to reassessment of the value of such agreements and a review of the commodities problems in a wider context.

17. In the framework of the Lomé Convention, the Community assists commodity-dependent countries by providing financial help to compensate them for falls in export earnings. The Community will extend comparable arrangements to other least-developed countries. The details and conditions under which this scheme will operate are currently being drawn up. We hope that other countries will follow this example.

Debt: Structural adjustment and the Baker initiative

18. We welcome and confirm our support for the US initiative for sustained growth announced by Treasury Secretary Baker at the IMF meetings in Seoul last autumn. We hope that it will be fully implemented as soon as possible. The IMF, the World Bank and the Regional Development Banks will continue to have an important role to play in tackling debt problems. Closer cooperation between them is therefore welcome. It is vital that they have adequate resources.

19. In this context, we would welcome agreement at the IBRD annual meeting to a substantially higher IDA 8 than IDA 7, and look forward to reviewing then the need for a General Capital Increase for the IBRD. We also hope that the commercial banks will resume lending, and will be willing to reschedule debt flexibly. But the debtor countries themselves must take effective measures to mobilize domestic savings, to improve the environment for foreign investment and to encourage the repatriation of capital. We are also keen to seek new ways of promoting financial flows which do not add to debt. We welcome in

particular progress towards the establishment of the Multilateral Investment Guarantee Agency which will facilitate the direct investment climate. Several EC member countries have signed the Convention.

20. Sustained economic growth can be achieved only in economies that are flexible and dynamic, which adapt to change yet remain bound together through an open, multilateral trading system. Such a performance is not easy. It requires active policies to promote the better functioning of labour markets. It requires control of budget deficits, plus improvements in the structure of taxation. It requires effective transfer of technology and a suitable environment for risk taking.

Coordination of economic policy

21. Lasting improvements in the functioning of the world monetary and trading system require increased international compatibility of national policies. The Community and its 12 Member States therefore subscribe to the agreement at the Tokyo Summit on close and continuous coordination of economic policies to promote non-inflationary economic growth; to strengthen market oriented incentives for employment and productive investment; and to open the international trading and investment system and foster greater stability of exchange rates. This agreement will help the stability of the international monetary system in the interests of industrialized and developing countries alike.

Unctad VII

22. The Seventh Session of Unctad will take place in 1987. The European Community believes that the best way of ensuring success will be to have an agenda with a unifying theme, so that debate can focus on subjects within Unctad's competence. A suitable structure for the conference is equally important; without this Unctad VII will not be able to work efficiently. The Community will play a full part in helping the Secretariat prepare for the Conference, and looks forward to a constructive and fruitful session.

African situation

23. In the wake of the UN Special Session on Africa, the Community and its Member States would like to re-emphasize their commitment to supporting and supplementing the efforts of the African States. The Community with its Member

States is the largest donor of development aid to Sub-Saharan Africa (providing 55% of ODA). The Community is also Africa's leading trading partner taking half of African exports. It is thus deeply committed to the future of the continent. Through its on-going dialogue with its African partners the Community is adapting its development instru-

ments (such as the Lomé Convention, its food aid programme, the relief and rehabilitation programme for the most seriously affected African States and the programme of action to combat desertification in Africa) to ensure that they can respond flexibly and speedily to African development priorities.'