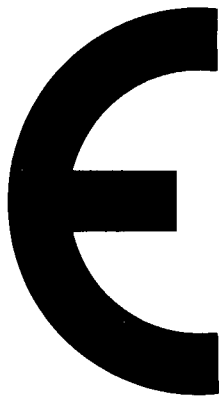


Bulletin

OF THE EUROPEAN COMMUNITIES

Commission



No 1 1986

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Bulletin

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References in text and footnotes

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

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

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

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

1. The Community of Twelve

The institutional consequences of enlargement

1.1.1. As the current Member States, Portugal and Spain had all ratified by the end of 1985,¹ the instruments of accession of the Kingdom of Spain and the Portuguese Republic to the European Communities duly entered into force on 1 January 1986, taking the Community's population from 275 million to 321 million and its total area from 1 658 000 to 2 255 000 square kilometres.

Portugal and Spain applied for membership on 28 March and 28 July 1977 respectively, and negotiations began on 17 October 1978 with Portugal and on 6 February 1979 with Spain. The Treaty between the 10 Member States and Spain and Portugal providing for Spanish and Portuguese accession was signed in Lisbon and Madrid on 12 June 1985.² The six years of negotiations were due to the complexity of the problems to be solved—both for the Ten and for Portugal and Spain. Agreement had to be reached on transitional measures to ensure that the integration of the two new Member States could go forward smoothly.

Since 1 January the two new Member States have formed an integral part of the Community in every respect. They now participate fully in the Community institutions and apply Community law, albeit subject to transitional provision and temporary

derogations which were agreed in the Act setting out the terms of accession and which apply both to the former 10-nation Community and to the two new Member States.

Institutional changes

1.1.2. Since 1 January Spain and Portugal have been taking a full part in the activities of the Community institutions. The Commission now has two Spanish Members and one Portuguese Member.³ With the appointment of a Spanish and a Portuguese Judge and one Portuguese Advocate-General the Court of Justice now has 13 Judges and 6 Advocates-General. The new Judges are Mr José Carlos de Cavalho Moitinho de Almeida, who will serve until 6 October 1988,⁴ and Mr Gil Carlos Rodríguez Iglesias, who will serve until 6 October 1991.⁵ The new Advocate-General is Mr José Luís da Cruz Vilaça, who will serve until 6 October 1988.⁴ The 156 Members of the Economic and Social Committee have been joined by 21 Spanish and 12 Portuguese Members, and the number of Members of the European Parliament has risen from 434 to 518 with the arrival of 60 Spanish and 24 Portuguese Members. The political groups in Parliament are now made up as follows:

¹ Bull. EC 12-1985, point 2.2.1.

² Bull. EC 6-1985, point 1.1.1 *et seq.*

³ Bull. EC 12-1985, point 1.3.1 *et seq.*

⁴ OJ L 8, 11.1.1986.

⁵ OJ L 18, 24.1.1986.

	1985	1986	Increase
Socialists	130	172	42
European People's Party	109	118	9
European Democrats	50	63	13
Communists	43	46	3
Liberal, Democratic and Reform Group	31	42	11
European Alliance for Renewal and Democracy ¹	30	34	4
Rainbow	19	20	1
European Right	16	16	—
Non-affiliated	6	7	1
Total	434	518	84

¹ New name of the European Democratic Alliance.

In addition, Parliament's rules of procedure have been amended so as:

- (i) to increase the number of Vice-Presidents from 12 to 14; and
- (ii) to raise the minimum number of Members needed to form a political group from 21 to 25 (if they belong to a single Member State), from 15 to 18 (for two Member States), and from 10 to 12 (three Member States).

In the Council, the number of Members has risen to 12, one for each Member State, with the following weightings: France, Germany, Italy and the United Kingdom, 10 votes; Spain, 8 votes; Belgium, Greece, the Netherlands and Portugal, 5 votes; Denmark and Ireland, 3 votes; Luxembourg, 2 votes, bringing the total number of weighted votes to 76. The minimum number of votes required for a decision to be taken by quali-

fied majority is 54. In other words, the number of votes needed to block a majority decision is 23. As a result, in contrast to the situation in the Community of Ten, two 'large' Member States may find themselves in a minority.

One Spanish Member, Mr Josep Subirats Piñana, and one Portuguese, Mr Carlos Botelho Moreno, were appointed to the Court of Auditors. At the European Investment Bank, the Board of Governors was increased to 12 with the inclusion of one Spanish and one Portuguese minister (normally the Finance Minister) and the number of Directors from 19 to 22, with a parallel increase from 11 to 12 in the number of alternates (the new Member States appointing one alternate jointly). Mr Miguel Ángel Arnedo of Spain was appointed Vice-President. Spain and Portugal also subscribed to the Bank's capital, which was doubled at the same time (→ point 2.4.38).

2. Institutional reform

Final meetings of the Intergovernmental Conference and agreement on the Single European Act

Parliament's debate and resolution on the outcome of the work of the Intergovernmental Conference of 16 and 17 December

The debate

1.2.1. On 16 January, after a short debate, Parliament adopted a resolution moved by Mr Spinelli, Chairman of the Committee on Institutional Affairs, by 206 votes to 63 with 40 abstentions.¹ This reaffirmed the judg-

ment made in Parliament's resolution of 11 December 1985 on the results of the Luxembourg European Council² and concluded 'that the Single Act can produce only modest progress in certain spheres of Community activity, and that it is very far from constituting the genuine reform of the Community that its people need to consolidate their economic and political position in the world...'

However, despite these reservations, Parliament stated that it would exploit to the very limit the possibilities offered by the Single Act and instructed its Committee on Institutional Affairs to draw up by 1 January 1988 a review of the results obtained from

¹ OJ C 36, 17.2.1986.

² OJ C 352, 31.12.1985; Bull. EC 12-1985, point 1.1.2.

the implementation of the Single Act in order to prepare, in due course, proposals for reform to be put to the citizens of the Community at the 1989 elections.

This resolution was a compromise which had survived assaults both from the hard-line 'rejectionists' such as Mr Hänsch (*Soc/D*), whose amendment obtained only 76 votes, and the supporters from the European Democrats, whose amendments received little support.

Opening the debate, Mr van den Broek, President of the Council, attempted to persuade the House that the outcome of the Conference was relatively positive and that Parliament had gained a concrete involvement in the legislative process over a wide field. He also argued that the present agreement represented the maximum that the Conference have agreed upon.

Mr Delors, President of the Commission, said that the Commission had three principal reasons to be dissatisfied, relating to the internal market, coherence and the powers of Parliament, yet it nevertheless had to consider the result a step forward. He explained the Commission's reservations on each of these points and concluded that much would depend on making the arrangements work which would in turn depend on new forms of behaviour in all the institutions. Mr Delors listed the three institutional conditions for success, stressing that he was doing so forcefully because the Commission would be meeting Parliament and the Council. These were the use of qualified majority voting, recognition of effective implementing powers for the Commission and full participation by Parliament.

Mr Spinelli (*Com/I*) was unenthusiastic about the outcome of the Conference, which was unworthy of an elected Parliament that ought to have been entitled to take part in it. 'The Council has produced a mouse, a miserable stillborn mouse', he added.

For Mr Dankert (*Soc/NL*) the outcome was less than satisfactory. He considered Mr

van den Broek's speech disappointing since it had not covered unemployment, own resources or the structural Funds.

Mr Penders (*EPP/NL*) stated that the Committee on Institutional Affairs took note of the results of the Conference under protest and certainly did not welcome them. However, Parliament should make the best of what little had been obtained.

Mr Croux (*EPP/B*) and Mr Nord (*Lib/NL*) concentrated on the powers of Parliament. Mr Croux demanded new powers before the third direct elections in 1989, and Mr Nord emphasized the same point in referring to the review period. He also asked the Presidency for its view on the amendment of the Council's rules of procedure. Mr van der Waal (*NA/NL*) asked for a clear timetable for implementation of the amendments. Only Mr Christensen (*Rainbow/DK*) expressed a radically opposed view.

The resolution

1.2.2. The text of the resolution is reproduced below.

'The European Parliament,

...

A. Whereas it is undemocratic that an institutional reform of the Community and of political cooperation, a reform which directly concerns all the citizens of the Community as such, should have been worked out without public debate and keeping at arm's length the Assembly which is the legitimate representation of those citizens at European level;

B. Stressing that the parliaments of several Member States had formally requested their governments to uphold at the Conference views analogous to those put forward by the European Parliament in its draft Treaty;

C. Stressing the ambiguities and shortcomings of the Act which will allow utterly contradictory interpretations since, proclaiming important objectives, it fails to make any provision for methods of decision-taking and execution which would allow the Community to act effectively, or for a legislative procedure which would make it possible for the European Parliament to take a democratic part in the powers which have been removed from

the national parliaments and transferred to the European level, or for any legal backing for the deadlines for the internal market, or for the necessary reform of the Community's finances, and imposes new obstacles to the development of the EMS and maintains the separation between political cooperation and Community affairs;

D. Convinced that the possibilities opened up in Luxembourg for progress in some limited fields cannot compensate for the serious democratic shortcomings of the reform;

1. Is compelled to reaffirm the judgment made in its resolution of 11 December 1985 on the results of the work of the Conference and to conclude that the Single Act can produce only modest progress in certain spheres of Community activity, and that it is very far from constituting the genuine reform of the Community that its people need to consolidate their economic and political position in the world and to meet their requirements as regards harmonious growth, job creation, solidarity, security and international responsibilities;

2. Requests that, at the very least, the governments undertake to:

(i) amend the internal rules of the Council so as to compel it to hold a vote when the Commission or three Member States so request,

(ii) reconsider the results of the work of the Conference before 1989;

3. Notes that the Luxembourg decisions mean that the governments have not yet achieved the task of creating European Union to which they have formally committed themselves, and that they consequently remain bound by that commitment;

4. Will obviously exploit to the very limit the possibilities offered by the Single Act—if it is ratified—and instructs its Political Affairs Committee to ensure that this is done; reaffirms that it will pursue its endeavours in the spirit of its draft Treaty of Union with the aim of a genuine political and economic union between the States of the Community and, if necessary, the definition of the relations to be maintained between such a union and those States which are not yet prepared to take this extra step;

5. Calls on the Commission to draw up a report on the operation of the Single Act as soon as it is possible to assess this after implementation;

6. Formally appeals to the citizens of the Community, the national parliaments and the parties whose Members are battling in this Assembly for a genuine union to realize that, without the creation of a European Union, there will be no future for the peoples of Europe, and to commit them-

selves to its construction together with those of a like mind, according to a democratic procedure involving the representatives of those peoples;

7. Instructs its Committee on Institutional Affairs to:

(i) pursue its contacts with the national parliaments so that it can take account of their positions and observations;

(ii) draw up by 1 January 1988 a review of the results obtained from the implementation of the Single Act in order to prepare, in due course, proposals for reform to be put to the citizens during the 1989 elections;

...

Agreement on the text of the Single European Act

1.2.3. The Conference of the Representatives of the Governments of the Member States held its last three meetings on 22 and 24 January at ambassadorial level and on 27 January at Foreign Minister level. At the last meeting it reached agreement on the text of the Single European Act,¹ with the addition of a statement on social policy, a statement on the installation of the political cooperation secretariat in Brussels and a unilateral statement by Denmark on Article 100A(4) concerning the procedure for derogating from Community harmonization measures on one of the grounds provided in Article 36 or in grounds relating to the protection of working conditions or the environment.²

On 21 January the Danish Parliament adopted by 80 votes to 75 a resolution stating that the Single European Act was unacceptable as it stood and asking the Government to renegotiate its terms with other Member States.

Once this had been shown to be impossible, the Government secured parliamentary approval by 82 votes in favour and 66 abstentions for a consultative referendum on the Single Act, to be held on 27 February.

¹ Reproduced in Supplement 2/86 — Bull. EC.

² Bull. EC 11-1985, point 1.1.1.

The Act was opened for signature by Member States from 17 February, and nine Member States announced that they would sign on that date. They did so in Luxembourg on the occasion of a Council meet-

ing of Ministers of Foreign Affairs. Greece has not yet determined its position, and Italy, at the request of the Italian Parliament, will not sign until after the Danish referendum.

3. Action for Africa

1.3.1. Continuing immediate and long-range efforts to combat famine and drought in Africa, the Commission adopted a number of financing decisions on 16 January under the plan for rehabilitation and revival adopted in November (→point 1.32).¹ On 27 January, in response to the instructions formulated by the European Council in Milan last June,² it sent the Council and Parliament a plan of action for natural resource conservation and the control of desertification.³

Immediate and long-term action: implementation of the rehabilitation and revival plan

1.3.2. Last autumn, following implementation of the Dublin Plan,⁴ the Community launched a rehabilitation and revival plan to help the African countries worst hit by drought,⁵ the aim being to meet the short and medium-term needs arising from the lack of rain in 1985.

The situation in these countries still gives cause for concern, as in some areas the population is totally destitute, lacking the seeds and tools needed to prepare for the next harvest.

On 16 January the Commission approved programmes under the rehabilitation plan to a total value of 100 million ECU, and on 20 January it signed financing agreements with representatives of the countries concerned: Chad, Ethiopia, Mali, Mauritania,

Niger and Sudan. The money comes from unallocated resources of the fourth and fifth EDFs. The Commission also approved emergency aid of 8 million ECU (from the budget) for Angola and Mozambique.⁶

The programmes are to be put in hand immediately since many of the agricultural projects have to be undertaken before the May-June rainy season. The Commission will be coordinating the activities of the Member States and other donors concerned.

Long-term resource conservation plan: the fight against desertification

1.3.3. In response to a request from the Milan European Council in June 1985,² the Commission formulated a plan of action for the conservation of Africa's natural resources which it transmitted to the Council and Parliament in January.⁷ It represents the Community's answer to the underlying long-term problems facing Africa, and forms one part of a more comprehensive approach.

¹ Bull. EC 10-1985, point 1.4.1 *et seq.*; Bull. EC 6-1985, point 2.3.46.

² Bull. EC 6-1985, point 1.2.8.

³ COM(86) 16 final.

⁴ Bull. EC 12-1984, point 1.2.7; Bull. EC 6-1985, point 2.3.46, Bull. EC 10-1985, point 1.4.2.

⁵ Bull. EC 10-1985, point 1.4.1 *et seq.*; Bull. EC 11-1985, point 2.3.25.

⁶ Bull. EC 12-1985, point 2.3.49.

⁷ COM(86) 16 final.

The Dublin Plan, followed by the rehabilitation and revival plan, represented the initial response to the urgent short-term problems and to famine.

The third Lomé Convention is designed to address structural economic problems. Programming of Lomé III aid is currently under way and reveals the high priority the ACP States are giving to rural development and in particular to food strategies.

The development of Africa is, however, taking place in a context of growing erosion of its natural resources, a process which finds its most extreme expression in the process of desertification. The launching of a systematic programme of environmental protection and restoration is therefore a matter of some urgency.

This is the purpose of the Commission's communication, which, starting from an analysis of the problem of desertification and its principal causes, suggests guidelines and general priorities for a policy to combat desertification in productive sectors (agriculture and cattle raising) through specific measures to protect natural resources involving appropriate research and population policies.

Implementation of these guidelines and priorities will require policy reforms in the countries concerned and the active participation of their inhabitants.

Measures to combat desertification must be on a large enough scale to trigger the desired changes (the concept of the 'critical mass'). This will require a global approach, the coordination of the work of aid agencies to ensure consistency and a continuing long-term commitment, all arranged in consultation with the recipient countries.

Because of the importance of its cooperation with Africa, Europe has a special responsibility for the implementation of this strategy. On a more general level, it must:

(i) increase the proportion of its aid devoted to rural development with particular emphasis on more intensive farming,

while maintaining the long-term ecological balance of peasant agricultural systems;

(ii) give priority to specific, direct action on natural resources;

(iii) give priority where necessary to support for population policies drawn up by recipient countries;

(iv) make appropriate administrative arrangements to ensure that it has the human and technical resources necessary for effective implementation of environmental operations.

At Community level the Commission will endeavour to coordinate all the means at its disposal: Lomé III, food aid, cofinancing with NGOs, financial protocols with the countries of the southern Mediterranean and specific budget headings.

1.3.4. Most of the programming now being carried out under Lomé III reflects this new objective. It is proposed that, implementing the indicative and regional programmes, the Commission should reach agreement with the ACP States on quantified targets for measures specifically aimed at desertification control.

Similarly, priority will be given to such measures under the new financial protocols for southern Mediterranean countries.

Food aid too will play a part, via food-for-work programmes or the use of counterpart funds to pay local costs of environmental conservation measures. Food aid may be allocated expressly for this purpose.

Non-governmental organizations are well placed both organizationally and operationally to help in this work.

There will continue to be special budget appropriations to finance desertification control measures, since this gives the Community greater scope for initiative and manoeuvre in undertaking measures which poor countries may tend to put off.

If Community aid is to reach the 'critical mass' required for it to play a significant part in the fight against desertification, it must be backed up by efficient coordination

with bilateral aid from the Member States. For the two aid efforts to work together harmoniously, common principles of action based on guidelines and priorities laid down in the communication must be defined and closely coordinated in the field.

By working together and involving other donors, the Community and the Member States can make a significant contribution to the implementation of an environmental protection policy in Africa, a policy which is vital to the long-term survival of the continent.

The document concludes by citing as examples a number of significant measures taken to combat desertification.

1.3.5. The Commission's communication offers a basis for discussion with the Mem-

ber States on the formulation of a Community position for various international conferences:

- (i) Silva, an international forestry conference being organized by the French Government from 5 to 7 February in Paris;
- (ii) the April meeting of the World Bank/IMF Development Committee, which will be discussing the problems of Africa, with particular reference to long-term development;
- (iii) the special session of the UN General Assembly in May, which will be looking at the various aspects of Africa's economic crisis, again including longer-term prospects.

Following discussions with the Member States, a number of decisions are likely to be taken by the Council when it meets to consider development issues on 17 April.

4. Community action in the field of tourism

1.4.1. Tourism in the Community has been expanding constantly in recent years. There are four major reasons why the Community should take action in this field: the economic importance of the industry; its role in employment (5 million people directly employed); its contribution to greater mutual understanding among our citizens; and the need for the Community to maintain its competitive position on world markets.

On 31 January, therefore, the Commission sent to the Council a communication together with three specific proposals for Community action in the field of tourism.¹ This follows on from the June 1982 communication setting out initial guidelines for a Community policy on tourism² and the Council resolution of 10 April 1984 inviting the Commission to present proposals based on consultations with the Member States.³

The report from the *ad hoc* Committee on a People's Europe,⁴ endorsed by the European Council in Milan in June 1985,⁵ similarly called on 'the Community institutions and the competent authorities to give special attention to issues relating to tourism, which is of particular importance to the people of the Community'.

The measures proposed by the Commission in its communication have the aims set out below.

¹ Supplement 4/86 — Bull. EC; COM(86) 32.

² Supplement 4/82 — Bull. EC; Bull. EC 6-1982, point 1.4.1.

³ OJ C 115, 30.4.1984; Bull. EC 4-1984, point 2.1.9.

⁴ Supplement 7/85 — Bull. EC.

⁵ Bull. EC 6-1985, point 1.2.3.

Facilitating tourism within the Community

1.4.2. The Commission advocates the removal of all obstacles to the free movement of persons in the Community by 1992, and proposes a number of practical measures: better information for tourists; simplification of social security procedures; harmonization of visas; legal aid; the transfer of foreign currencies and the introduction of a health card for tourists belonging to certain high-risk categories.

Improving the seasonal and geographical distribution of tourism

1.4.3. With a view to reducing the concentration of holidays, which causes serious problems both for individual tourists and for the tourist industry, the Commission is putting forward a proposal for a resolution on a better seasonal and geographical distribution of tourism and intends to use all the means at its disposal to overcome this difficult problem, in particular by encouraging social, rural and cultural tourism.

Better use of Community financial instruments

1.4.4. Through its various financing instruments (the ERDF, the Social Fund, the EAGGF, the IMPs and the NCI) the Community already contributes in varying degrees to tourism projects submitted by the Member States. The Commission is planning to optimize the use of existing financial instruments to assist tourism, and particularly to improve its seasonal and geographical distribution, by all appropriate means.

Better information and protection for tourists

1.4.5. In an effort to improve the information available to Community tourists on

all aspects of travel within the Community, the Commission is presenting to the Council a proposal for a recommendation on standardized information on hotels. It is also planning to produce a practical travel guide or vade-mecum providing as much useful information as possible to assist tourists, and to bring forward a Directive on the harmonization of legislation concerning package tours.

Improving working conditions in the tourist industry

1.4.6. Special attention is given to working conditions in the tourist industry. In particular, measures to promote vocational training by means of student exchanges, facilitate the introduction of the new information technologies and further the study of problems peculiar to certain types of occupation, notably that of tourist guide, may be noted.

Increasing awareness of the problems of tourism and organizing consultation and cooperation

1.4.7. With a view to providing a framework for consultation and coordination between the Member States, the Commission and the industry's specialist bodies, the Commission is proposing that the Council adopt a Decision introducing a flexible procedure in this respect. The Commission will also be putting to the Council a proposal for a Directive on the harmonization of statistics on tourism in the Community. Lastly, a number of surveys are to be conducted to supplement the available data in this area; one of these, by Eurobarometer, will concern Europeans' holiday preferences.

**ACTIVITIES
IN JANUARY 1986**

1. Building the Community

Economic and monetary policy

Council

2.1.1. The Council met on 20 January to discuss economic and financial affairs. It gave its endorsement to the brief for the *ad hoc* high-level working party set up to examine the problems connected with the abolition of tax frontiers (→ point 2.1.5). It also issued to the Commission directives for the forthcoming OECD negotiations on commercial interest reference rates (CIRRs) (→ point 2.2.6).

Economic situation

2.1.2. As part of their work on European economic problems, the Commission departments published a study on the sectoral and structural aspects of economic developments in the major industrialized areas (Community, United States and Japan) since the first oil crisis.¹ The first two chapters analyse industrial competitiveness and the reasons for the Community's reduced share in high-technology sectors. The third chapter examines the growing economic role of the service sector and shows that the key determinant of growth in this sector was higher consumption of services by industry. The fourth and final chapter attempts a more theoretical formulation of the relationships between research, product and process innovation, and structural adjustment and unemployment. In the OECD area as a whole, there is no indication that technological change has caused a net loss of jobs.

Community borrowings

Loan to Greece

2.1.3. On 24 January Mr Matutes, Member of the Commission with special responsibility for Community financial instruments, and Mr Papantoniou, State Secretary in the Greek Ministry of Econ-

omic Affairs, signed the contract for the first instalment of the loan which the Community decided to grant to Greece on 18 November 1985.²

In accordance with that decision, the Commission had begun to carry out the necessary borrowing operations on capital markets. In January it floated three bond loans of 350 million ECU, USD 150 million and DM 500 million (→ point 2.3.4). It will shortly complete the operations to raise the remainder of the finance for the first instalment of the loan.

Economic Policy Committee

2.1.4. The Economic Policy Committee held its 164th meeting on 7 January. With Mr Guillaume in the chair, it discussed, in its 'medium-term' composition, flexibility in goods and service markets and public measures to assist firms.

Internal market and industrial affairs

Completing the internal market

2.1.5. On 20 January the Ministers of Economic and Financial Affairs instructed the *ad hoc* high-level working party set up at the December Council meeting³ to examine what tax measures are needed to ensure that the internal market is fully established and working by the end of 1992, taking the Commission White Paper on completing the internal market⁴ as its starting point. The working party will report back to the Council regularly, starting in March.

¹ *European Economy* No 25, Office for Official Publications of the European Communities, Luxembourg.

² Bull. EC 11-1985, point 1.3.2.

³ Bull. EC 12-1985, point 2.1.8.

⁴ Bull. EC 6-1985, point 1.3.1 *et seq.*

2.1.6. At the Council meeting on agriculture on 20 and 21 January the President emphasized the importance of harmonization in the veterinary, plant health and foodstuffs sectors and announced that he intended to pay very close attention to all these issues at forthcoming Council meetings on agriculture. He appealed to all the Member States to help make fresh progress in the months ahead with a view to creating a genuine unified market in these areas.

The Commission endorsed this appeal and stressed the importance of its communication on a new approach to harmonization in the foodstuffs sector, which should improve Community decision-making procedures.¹

2.1.7. On the 14 January Parliament adopted a resolution (→ point 2.4.10)² on the White Paper on completing the internal market.³ It broadly supported the action programme envisaged in the White Paper, but hoped that the Community's social, regional and environmental policies would also be expanded.

During the debate on the motion, the Commission undertook to make a written report to Parliament every year on the measures taken to implement the action programme.

Free movement of persons and freedom to provide services

Mutual recognition of diplomas and access to occupations

Accession-related measures

2.1.8. On 27 January the Council adopted a Directive⁴ adding civil engineering degrees to the Portuguese architects' qualifications listed in the Directive of 20 December 1985,⁵ which had amended the architects' Directive⁶ to take account of the accession of Spain and Portugal.

Doctors

2.1.9. On 16 January Parliament gave its opinion² on a proposal for a Directive on

specific training in general medical practice transmitted by the Commission to the Council in December 1984.⁷ Parliament warmly welcomed both the spirit and the substance of the Commission proposal.

General system for the recognition of higher education diplomas

2.1.10. At its January session the Economic and Social Committee endorsed a proposal for a Council Directive on a general system for the recognition of higher education diplomas which involves a new approach to the question (→ point 2.4.28).⁸

Removal of technical and administrative barriers to trade

Industrial products

Fire safety in hotels

2.1.11. On 16 January Parliament delivered its opinion⁹ on a proposal for a recommendation on fire safety in existing hotels,¹⁰ which the Commission had transmitted to the Council in January 1984. Parliament regretted that the form chosen for the Commission proposal had not been a regulation. It was essential, in its view, for the minimum fire safety requirements to be established in the form of a code that all Member States would be legally bound to apply.

The Commission, represented by Lord Cockfield, whose portfolio includes the internal market, stated that it was prepared to accept some of the technical amendments

¹ Bull. EC 11-1985, point 2.1.18.

² OJ C 36, 17.2.1986.

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

⁴ OJ L 27, 1.2.1986.

⁵ OJ L 376, 31.12.1985.

⁶ OJ L 223, 21.8.1985; Bull. EC 6-1985, point 2.1.16.

⁷ OJ C 13, 15.1.1985; Bull. EC 12-1985, point 2.1.10.

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

⁹ OJ C 36, 17.2.1986.

¹⁰ OJ C 49, 21.2.1984; Bull. EC 1-1984, point 2.1.5.

sought by Parliament. As regards the legal form of the proposal, however, the Commission could not accept the change requested by Parliament and did not wish to go beyond a proposal for a directive. The Commission intended to present further proposals relating to fire safety in public buildings in the form of directives, but in the mean time only a recommendation could be envisaged.

Pharmaceuticals

2.1.12. On 16 January Parliament delivered a favourable opinion,¹ subject to a number of amendments, on the five proposals for Directives and a recommendation on high-technology medicinal products, particularly those derived from biotechnology, that the Commission transmitted to the Council in October 1984.²

Business law

Economic and commercial law

Patents

2.1.13. On 16 January Parliament adopted a resolution emphasizing the need for the Luxembourg Convention on the Community Patent to enter into force (→ point 2.4.10).¹

Trade marks

2.1.14. On 27 January the Commission sent the Council a proposal³ for a Regulation implementing the Regulation on the Community trade mark.⁴ The purpose of this proposal is, pursuant to Article 125 of the proposed Regulation on the Community trade mark, to determine the rules to implement the Regulation once it is adopted. It deals in particular with the formalities for applying for a Community trade mark, the calculation and laying down of the time limits to be observed in dealings with the Community Trade Marks Office, the items to be published in the Community Trade Marks Bulletin and the rules govern-

ing the opposition, appeals, revocation and invalidity procedures.

Small business — Business Cooperation Centre — Distributive trades

Small business

2.1.15. Mr Abel Matutes, the new Member of the Commission whose portfolio includes the Community policy on small businesses, made a statement on taking office on 1 January.

He emphasized that Europe had to come to grips with the challenges facing our societies as a result of industrial restructuring, new technology and joblessness, and asserted that small and medium-sized firms operating in a healthy economic climate would be the genuine architects of economic recovery in Europe — just as they are now proving to be in the United States.

*

2.1.16. On 16 January Parliament adopted a resolution on the helicopter industry in Europe (→ point 2.4.10).⁵

Steel

The Community steel industry

Market management

Crisis measures

Organizational decisions

2.1.17. The measures introduced at the start of the year to revert to a free market in

¹ OJ C 36, 17.2.1986.

² OJ C 293, 5.11.1984, Bull. EC 10-1984, point 2.1.16.

³ COM(85) 844 final.

⁴ Supplement 5/80 — Bull. EC; OJ C 351, 31.12.1980; Bull. EC 11-1980, point 1.5.1 *et seq.*; OJ C 230, 31.8.1984; Bull. EC 7/8-1984, point 2.1.21.

⁵ OJ C 36, 17.2.1986.

concrete reinforcing bars and coated sheet other than galvanized sheet appear to have had the desired effect.¹ Contrary to all the fears, prices for reinforcing bars in the Community remained firm despite the seasonal slackening of demand from the building industry. Sustained demand from the motor industry kept sheet prices buoyant.

Exports weakened somewhat. In the past their value had been based on a strong dollar; now the fall of the dollar, combined with the restrictions on exports to the US market and the subsequent deflection of trade, has reversed the situation.

Sales prospects for the Community steel industry could well be slightly poorer in 1986 than in 1985, even on the internal market. But the restructuring and rationalization completed should lower production costs.

Market situation

2.1.18. Table 1 gives details of steel production in the Community (excluding Greece and Ireland) in December 1985 and for the full year in comparison with 1984.

Table 1 — *Community steel production, December 1985*

	December 1985	% change December 1985/84	1985	% change 1985/84
Belgium	846	- 4.4	10 694	- 5.4
Denmark	43	+ 22.9	528	- 3.6
Germany (FR)	2 624	- 7.3	40 471	+ 2.7
France	1 461	- 7.9	18 825	- 0.9
Italy	1 875	+ 3.2	23 744	- 0.8
Luxembourg	310	+ 7.3	3 945	- 1.1
Netherlands	462	- 8.0	5 519	- 3.8
United Kingdom	1 155	+ 7.8	15 747	+ 3.6
Total	8 776	- 2.7	119 473	+ 0.3

Production in the countries which supply figures to the International Iron and Steel Institute totalled 435.3 million tonnes in 1985, 0.6% up on 1984. US and Japanese steel production fell by 4.3% and 0.3% respectively, while Community production rose by 0.3%.

World steel production was 720 million tonnes in 1985, 10 million tonnes (1.4%) up on 1984. The bulk of this increase came from the developing countries. Output in the industrialized West held steady.

Investment

2.1.19. At the end of December the Commission published its report on investment in the coal and steel industries in the Com-

munity.² This 1984 review was sent to the ECSC Consultative Committee for information.

Trade with non-member countries

Exports

Retaliatory measures against the USA

2.1.20. On 30 December the United States announced that it would be restricting semi-finished steel imports from the Community

¹ OJ L 340, 18.12.1985; Bull. EC 11-1985, points 2.1.23 to 2.1.25; Bull. EC 12-1985, point 2.1.26.

² SEC(85) 1863.

to 400 000 tonnes a year with effect from 1 January, with the possibility of a further 200 000 tonnes being added at the discretion of the Administration.¹

In response to this unlawful measure, on 27 January the Council introduced compensatory restrictions on fertilizers (512 000 tonnes), bovine fats (107 000 tonnes) and coated paper (10 000 tonnes) with effect from 15 February until a satisfactory solution could be negotiated.²

The restrictions for fertilizers and bovine fats roughly reflect the 1984 levels, corresponding to reductions of 23% in the case of fertilizers and 20% for bovine fats compared with 1985. For coated paper the reduction is 8% compared with 1985.

The total value of business affected by these retaliatory measures is 56 million ECU or USD 42.8 million compared with 1985, although the trade loss as a result of US measures is estimated to be USD 48 million.

Research and technology

Community R&D policy

Senior officials concerned with Eureka

2.1.21. Senior officials concerned with research and technology from the 18 countries taking part in the Eureka project met in London on 22 and 23 January and reached agreement on the composition of the project's secretariat, which will consist of six members, three appointed by the Community countries, two by the other European countries and the sixth by the Commission, which will also contribute to its financing. The main purpose of the secretariat will be to maintain liaison between research institutes, governments and the Community institutions, and its members will be drawn from the senior civil service or from industry.

Structures and procedures

2.1.22. As part of the Commission's efforts to promote international scientific cooperation, particularly between the Community and the EFTA countries, Mr Karl-Heinz Narjes, the Vice-President with special responsibility for research, science and information technology, recently invited Sweden, Norway, Finland, Austria and Switzerland to appoint representatives to a strategic discussion group on the future of the European Technology Community.

Among other tasks, this group will be required to advise on research policy matters. Together with the members of the Committee for the European Development of Science and Technology (Codest), it will draw up recommendations on the future management of Community research and technology policy as summarized in the framework programme.³ This was the main discussion topic at the inaugural meeting of the group, held in Brussels on 9 January. The Commission will take account of the problems raised on that occasion in preparing the revised framework programme (1987-92).

Once the necessary participation agreements have been signed, the joint meetings of this group and Codest will also be devoted to the selection of suitable projects for inclusion in stimulation actions, in which laboratories in the five countries concerned will be involved.

Stimulation of European scientific and technical cooperation and interchange

2.1.23. In accordance with the recommendations made at the meeting of the Committee for the European Development of Science and Technology (Codest) on 9 December 1985, the Commission is currently preparing contracts for the execution

¹ Bull. EC 12-1985, point 2.1.36.

² OJ L 30, 5.2.1986.

³ Supplement 5/83 — Bull. EC ; OJ C 208, 4.8.1983; Bull. EC 5-1983, points 1.3.1 to 1.3.6.

of 30 new projects under its stimulation plan.¹ This brings the total number of these projects to 171 and their total value to 21 million ECU. They cover a wide range of disciplines, including mathematics and information technology, biocommunication, solid-state physics, soil sciences, instrumentation, surface chemistry and physics, advanced optics and oceanography.

Important 'operations' include the demonstration of the feasibility at microionic level of miniaturized solid cells, the development of instruments for the spectroscopic resolution of high-energy X-rays using synchrotron radiation, the development of light modulators based on the holographic illumination of non-linear optical filters, research on the development and application of permanent iron/rare-earth magnets, and the study at the molecular-mechanism level of chemical and physical forces and of energy conversion through natural and artificial membranes.

At the same time, more than 400 laboratories employing some 1 200 research workers will be linked under international twinning arrangements in different fields. Many of these researchers will have the opportunity to make working visits to partner laboratories in other Member States for periods of up to three months. In addition, 'research grants' will enable 50 scientists to be seconded for longer periods of study (up to three years) in other laboratories.

A meeting of all the experimental-phase (1983-84) contractors whose activities have been completed will be held in May for an exchange of experience and to compare results.²

Horizontal activities

FAST

2.1.24. On 23 January the Commission sent the Council and Parliament its first activity report³ on FAST (1983-87).⁴ After noting that the results of FAST I (1978-83)⁵ had been used mainly to prepare a

Community biotechnology policy and to provide initial concepts for the Esprit programme, the report outlines initial trends, problems and prospects in the five fields under review: technology-work-employment relations, services and technological change, the new strategic industrial system of communications, the future of the food system and the integrated development of renewable natural resources (Syrena). Under FAST II (1983-87) these five fields are being studied via a European forecasting cooperation network based on 65 research contract teams, a network of 10 national units designated by the Member States and scientific fellows seconded to the FAST programme by national authorities.

International cooperation

EFTA countries

2.1.25. Two important agreements were concluded under the guidelines drawn up at the EEC-EFTA ministerial meeting in Luxembourg on 9 April 1984,⁶ which had encouraged scientific and technical cooperation between the countries of Europe, thereby stressing its importance.

On 8 January in Berne, the Community and Switzerland signed a framework agreement on scientific and technical cooperation. Cooperation between the two in the scientific and technical field is already well established; in addition to its involvement in several COST projects (oceanography, telecommunications, information technology, metallurgy, environment) and JET, Switzerland is linked to the Euronet system and participates in Community research projects in the medical and other sectors. The framework agreement which has just been

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

² OJ L 181, 6.7.1983; Bull. EC 6-1983, point 2.1.59.

³ COM(86) 10 final.

⁴ OJ L 293, 25.10.1983; Bull. EC 6-1983, point 2.1.257.

⁵ OJ L 225, 16.8.1978; Twelfth General Report, point 421.

⁶ Bull. EC 4-1984, point 1.2.1 *et seq.*

signed will make it possible to systematize the cooperation and to ensure greater interaction between the scientific policies of the two parties. A joint committee set up under the agreement will meet shortly to examine, in particular, the question of Swiss participation in the Brite and Esprit programmes.

A similar framework agreement between the Community and Sweden was signed in Brussels on 12 January. The Community and Sweden are already cooperating in fusion research, the COST programme, Euronet, research on wood as a renewable raw material and in other areas. The agreement should make it possible to extend cooperation to other sectors, including the new technologies.

2.1.26. On 20 January the Council authorized the Commission to negotiate a framework agreement on scientific and technical cooperation with Austria.¹

2.1.27. On 22 January the Commission sent the Council two recommendations for decisions concerning the conclusion of framework agreements on scientific and technical cooperation with Norway² and with Finland.³

Canada

2.1.28. On 20 January the Council also authorized⁴ the Commission to negotiate a Memorandum of Understanding with Canada concerning cooperation in the field of fusion research and development.⁵

COST projects

2.1.29. On 20 January the Council amended⁶ its Decision of 13 December 1982⁷ concerning a Community concerted-action project relating to shore-based maritime navigation aid systems.⁸

2.1.30. The COST Committee of Senior Officials met in Brussels on 10 January. Among other matters, it took note of the information provided by the chairman of the relevant working group concerning a new proposal for a COST project on seis-

mological research and by the Commission representative on the inclusion of an 'intensified' concerted-action project on this topic in the Community's new environment and climatology programme (1986-90), the financial and technical scope of which had, in principle, been approved by the Council in December 1985.⁹

The Committee also took note of the report of the *ad hoc* group on a proposal for a new COST project in the field of advanced light metallic materials for transport applications and of the information provided by the Commission on the Community's new 'Euram' programme (raw and advanced materials, 1986-89) which involves related fields, the financial and technical scope of which¹⁰ had, in principle, also been approved by the Council in December 1985.¹¹

Sectoral R&D activities

Energy

Nuclear fusion energy

2.1.31. An important international cooperation agreement on research into controlled nuclear fusion was signed by the Community, the United States and Japan in Munich on 15 January. This agreement will link the three largest tokamak experimental fusion facilities in the world, namely the Joint European Torus established at Culham, UK, as part of the European Communities' fusion programme,¹¹ the TFTR at Princeton in the US and the Nakamachi JT-

¹ Bull. EC 11-1985, point 2.1.184.

² COM(85) 856 final.

³ COM(85) 854 final.

⁴ OJ L 35, 11.2.1986.

⁵ Bull. EC 11-1985, point 2.1.185.

⁶ OJ L 18, 24.1.1986.

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

⁸ OJ C 182, 20.7.1985; Bull. EC 7/8-1985, point 2.1.219.

⁹ Bull. EC 12-1985, point 2.1.239.

¹⁰ Bull. EC 12-1985, point 2.1.235.

¹¹ OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

60 in Japan. As described in the agreement, cooperation between the three centres will take numerous forms, including the promotion of exchanges of information and research workers, the joint preparation of certain research programmes and the joint organization of seminars, each of these activities being conducted on a trilateral or bilateral basis according to preference.

Given the present state of research, physicists are generally of the opinion that the scientific feasibility of fusion is most likely to be demonstrated in a tokamak. In particular, they believe that this goal can be achieved in second-generation large-scale tokamaks such as JET, TFTR or JT-60. It is this fact which makes the cooperation agreement linking these three facilities so important, since it provides for further consolidation of the world's most advanced nuclear fusion system and will contribute to its accelerated development in the future. From the Community's standpoint, this agreement will make it possible to maintain and reinforce the leading position which it has achieved as a result of 20 years of unremitting effort in this field. It forms part of a resolute policy of international cooperation on fusion.

2.1.32. On 8 January the Commission sent the Council a communication¹ concerning the fusion programme,² in which it stressed that the Council's reduction on 12 March 1985 of the financial allocation proposed for the research programme on thermonuclear fusion² was incompatible with the programme's objectives and threatened Europe's leading position in this field. The Commission therefore intended to propose an increase in the total appropriation at the time of the programme's revision.

Industry

New technologies

Information technology

Esprit

2.1.33. Following the supplementary call for proposals under the Esprit programme

made in September 1985,³ 11 new projects in the software technology area were selected for the negotiation of contracts.

Reaction to the call for proposals was impressive: more than 40 were received, and the financing requested far outstripped the 18.9 million ECU available from Community funds. The whole software side of the programme now has the potential it needs to make a substantial improvement in the productivity of the European software industry and the quality of its products.

Microelectronics

2.1.34. On 7 January the Commission sent the Council and Parliament the third report⁴ on Community actions in the field of microelectronic technology.⁵

Data processing

2.1.35. On 14 January Parliament adopted a resolution on the Communities' data-processing equipment policy (→ point 2.4.10).⁶

Telecommunications

STAR programme

2.1.36. On 20 January the Commission sent the Council a proposal for a Regulation instituting a Community programme for the development of certain less-favoured regions of the Community by improving access to advanced telecommunications services (STAR programme) (→ points 2.1.80 and 2.1.81).

¹ COM(85) 789 final.

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

³ OJ C 238, 19.9.1985; OJ C 252, 3.10.1985; Bull. EC 9-1985, point 2.1.138.

⁴ COM(85) 776 final. Previous report: Bull. EC 10-1984, point 2.1.28.

⁵ OJ L 376, 30.12.1981; Bull. EC 12-1981, point 2.1.17.

⁶ OJ C 36, 17.2.1986.

Standardization

2.1.37. On 24 January the Commission sent the Council a proposal for a Directive on the adoption of common technical specifications of the MAC/packet family of standards for direct satellite television broadcasting.¹ This proposal represents a follow-up to its communication to the Council of 30 May 1985 on the adoption of common standards for direct television transmission via satellite.² It is designed to guide the Member States in their decision-making towards the adoption of a single broadcasting system and to lead to the establishment of a Community framework for the industry.

2.1.38. Parliament delivered an opinion on 14 January³ on the proposals for Directives relating respectively to standardization in the field of information technology and telecommunications and the mutual recognition of type approval for telecommunications terminal equipment.⁴ Parliament is of the opinion that standardization is an essential prerequisite for the creation of a genuine common market in information technology and telecommunications. Nevertheless, it also believes that the existence of a safeguard clause to protect the interests of the Member States will create uncertainty in industrial circles with regard to the legal status of common specifications. It therefore decided to delete that clause and to call on the Commission to pay particular attention to problems of safety and interoperability when drawing up common specifications.

Brite

2.1.39. The Brite Community research programme on industrial technologies recently commenced effective operation.⁵ Contracts relating to 7 of the first batch of 100 projects for which proposals were approved⁶ have been sent to the participants for signature, and the corresponding research activities are all due to commence shortly. From the standpoint of the type of research conducted and of the number and

diversity of the partners, these seven projects constitute a fairly representative sample of the activities to be undertaken under the Brite programme. Particular mention may be made of the association agreement between two British and two German firms for the development of polyamide composites resistant to high temperatures (250° to 350°). Five laboratories (one French, one British, one Belgian and two German) have joined forces to study flexible products for industrial or agricultural use based on synthetic fibres and materials. In the clothing industry, three British firms will work with a German firm on the development of a fully automated assembly and sewing process.

Biotechnology

2.1.40. A meeting of 150 research workers participating in the Community's biotechnology programme was held at Wageningen in the Netherlands from 27 to 30 January.⁵ This meeting, to which experts from other countries—including Canada—had been invited, was organized as part of the celebrations to mark 25 years of association between the European Communities and the Instituut voor Toepassing van Atoomenergie in de Landbouw.⁷ It provided the opportunity for a review of research in the field of genetic transfer in micro-organisms and plants important to agriculture, which is one of the constituent projects of the Community's biomolecular engineering programme.⁸

¹ COM(86) 1 final.
² Bull. EC 5-1985, point 2.1.22.
³ OJ C 36, 17.2.1986.
⁴ OJ C 232, 12.9.1985; Bull. EC 5-1985, point 2.1.21.
⁵ OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.
⁶ Bull. EC 7/8-1985, point 2.1.226.
⁷ Institute for the use of atomic energy in agriculture.
⁸ OJ L 375, 30.12.1981; Bull. EC 12-1981, point 2.1.166.

Industrial innovation and the information market

Transnational measures to promote innovation

Promotion of European conferences

2.1.41. Under the three-year plan for the transnational development of the supporting infrastructure for innovation and technology transfer,¹ the Commission published in the *Official Journal* on 31 January a call for proposals for the promotion of European conferences on technology and innovation.²

Several conferences have already received support following previous calls for proposals.³

Technology-transfer and innovation-management advisory services to small businesses

2.1.42. The Commission is relying heavily on public and private technology-transfer and innovation-management advisory services to small businesses in the various Member States to achieve swifter penetration of the Community market by new products and services. It has encouraged the establishment of transnational networks linking together such advisory services through a variety of measures, in particular the publication of a second call for proposals,⁴ which has generated a wide response. A total of 70 proposals involving 190 public and private advisory services has been received. Of these 70 proposals, 34 were selected for partial Community funding, 30 of these being completely new transnational cooperation schemes involving 81 public and private advisory bodies, while the other four are extensions of existing schemes to other partners and involve 15 advisory services.

Following these first two calls for proposals,⁴ 47 cooperation schemes involving

a total of 120 advisory services scattered throughout the Member States are being supported.

Partnerships have thus been created, in particular between organizations in Lyon (France) and Copenhagen (Denmark), London (UK) and Milan (Italy), Dublin (Ireland) and Belfast (UK), Marseille (France), Genoa (Italy) and Piraeus (Greece), Berlin (Germany) and Hatfield (UK), and Bremen (Germany) and Toulouse (France). The first practical transnational exchanges between firms (notably exchanges of technology), fostered and facilitated by these networks, are beginning to take shape.

In view of the continuing success of this scheme, the Commission is planning to repeat the exercise.

Commission initiatives in the industrial design field

2.1.43. Also as part of the three-year plan for the transnational development of the supporting infrastructure for innovation and technology transfer,⁵ the Commission recently took the initiative of setting up a working group on industrial design as a subcommittee of the Consultative Committee on Innovation and Technology transfer. The group held its first meeting in Luxembourg on 21 and 22 January, following which the Commission decided to launch a series of projects:

- (i) a number of publications concerning industrial design;
- (ii) a basic manual on industrial design aimed specifically at managers of small and medium-sized firms;
- (iii) a travelling conference/exhibition project;

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

² OJ C 21, 31.1.1986.

³ OJ C 210, 10.8.1984; OJ C 125, 22.5.1985; Bull. EC 12-1985, point 2.1.42.

⁴ OJ C 125, 22.5.1985; Bull. EC 12-1985, point 2.1.42; OJ C 210, 10.8.1984.

⁵ OJ L 353, 15.12.1983; Bull. EC 11-1983, point 2.1.29.

(iv) a transnational seminar on industrial design management consultancy.

These projects, which are to be undertaken jointly by different national industrial design centres and cofinanced by the Community, will be coordinated by the Danish Industrial Design Centre.

*System for information
on grey literature in Europe (Sigle)*

2.1.44. Thanks to Sigle,¹ a cooperative information system for the identification and supply of 'grey' literature (reports, records, technical papers, theses, regulations, working papers, etc.), 80 000 documents have now been catalogued. The Sigle database is steadily growing at a rate of some 30 000 references a year.

With a view to continuing the development work on this system, which was supported by the Commission for four years, a European Association for Grey Literature Exploitation, which groups together major information and documentation centres in Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands and the United Kingdom, was recently set up under Luxembourg law. Its main aim is to promote the exploitation of European grey literature and to continue operating and improve the services to European users provided by the Sigle database.

Specialized information

2.1.45. On 31 December 1985, under the five-year Community programme for the development of the specialized information market,² the Commission published in the *Official Journal* a call for tenders concerning the transfer of experience between Member States of experiments in electronic document delivery and electronic publishing.³

Customs union

Economic tariff measures

Tariff quotas

2.1.46. On 27 January the Council adopted a Regulation opening, allocating and providing for the administration of a Community tariff quota for frozen beef and veal falling within subheading 02.01 A II b) of the 1986 CCT (→ point 2.1.92). This 50 000-tonne quota was agreed in GATT, and the Regulation allocates the imports between the Member States.

2.1.47. The Council also adopted a Regulation amending the Regulation of 4 June 1985⁴ opening, allocating and providing for the administration of a Community tariff quota for ferro-phosphorus falling within CCT subheading ex 28.55 A.

Competition

**General rules
applying to undertakings**

Guidelines for franchise agreements

2.1.48. Following the Court of Justice's judgment of 28 January in *Pronuptia* (→ point 2.4.25)⁵ Mr Peter Sutherland, Member of the Commission with special responsibility for competition policy, gave news of forthcoming action on franchise agreements. This judgment deals with the legality, under the Community competition

¹ Set up in 1981, with assistance from the Commission, by a group of European documentation centres.

² OJ L 314, 4.12.1984.

³ OJ C 348, 31.12.1985.

⁴ OJ L 147, 6.6.1985; Bull. EC 6-1985, point 2.1.47.

⁵ The judgment will be analysed in detail in the quarterly review of cases in the 'Court of Justice' section of Bulletin 4-1986.

rules, of the Pronuptia group's franchise contracts, which regulate the sale of wedding dresses and related products by independent franchisees. Various clauses in such contracts are assessed, notably those setting out the franchising system, partitioning the market and imposing resale price maintenance.

Commenting on the judgment, Mr Sutherland said:

'The Court of Justice has given very useful guidance on the assessment of franchise contracts under Article 85(1). It has indicated that certain clauses do not restrict competition within the meaning of this provision.

It will be the duty of the Commission to complete this assessment under the exemption rules of Article 85(3) in order to provide parties to such agreements with the necessary legal certainty.

The Commission takes a generally positive attitude to franchise contracts, which, provided the competition rules are respected, can stimulate economic activity throughout the Community, particularly by small and medium-sized enterprises.

The preparatory work for the Commission's assessment has already started, and it will aim to give the most useful guidance possible to companies while preserving competition within the Community.'

The Commission is now working on a number of test cases with the aim of developing a general approach in this area which will take account of the *Pronuptia* judgment. Adoption of such individual decisions will precede the preparation of a future block exemption regulation under Article 85(3).

Franchising, a type of distribution and marketing developing rapidly in Europe, can be defined as a form of trade between undertakings which are in a fixed contractual relationship but economically independent, although the franchisor (the party granting the franchise) may intervene to varying degrees in the commercial policy of the franchisee (the party operating the franchise).

The effects of franchise agreements are generally positive. They allow small retail outlets to compete with large distributors and enable the franchisor to establish a uniform distribution network without having to

invest in setting up his own retail outlets. This may assist the entry of new competitors onto the market and thus increase inter-brand competition. For the consumer, franchising combines the advantages of a coherent distribution network with the presence of independent traders personally interested in the efficient operation of their business. Franchising may also contribute to the establishment of a unified European market given its capacity for cross-frontier development. Franchising agreements can, however, hinder competition if they include restrictions which are normally prohibited such as resale price maintenance or market partitioning. Because franchising agreements may contain elements of exclusive and/or selective distribution, and trade mark, patent and know-how licensing, they are not normally covered by existing block exemption regulations.

Restrictive practices, mergers and dominant positions: specific cases

Abuse of dominant positions

Suspension of interim measures against Ford

2.1.49. Mr Sutherland has obtained an undertaking from Ford Motor Co. Ltd to offer licences immediately to competing firms in the United Kingdom for the manufacture and sale of metal body panels for certain Ford vehicles. In addition, Ford has offered to settle the copyright infringement proceedings it has brought before the English courts. The Commission has accordingly suspended its interim measure proceedings directed at compelling Ford to grant such licences pending the final outcome of its investigation into this market.

The proceedings for interim measures were commenced in November 1985 following complaints by a number of independent manufacturers that Ford was attempting to exclude them from the market for body

panels in the United Kingdom by claiming copyright protection and by refusing to grant licences on reasonable terms.

In view of the undertaking given, the need for Commission action is less urgent, for it will permit, albeit to a limited extent, the independent manufacturers concerned to continue to compete with Ford in the supply of these panels for the repair and maintenance of all but the latest Ford models.

The Commission now intends to proceed rapidly with its current examination of the supply of panels for all Ford vehicles. This case is of general importance for competition in the replacement parts market for motor vehicles in the common market.

State aids

Industry aids

Shipbuilding

2.1.50. In accordance with the fifth Council Directive on aid to shipbuilding,¹ extended in 1984 until 31 December 1986,² the Commission transmitted to the Council on 7 January and also to Parliament for information a report on State aids to shipbuilding during 1983 and 1984.³ This report, which updates the previous one covering the first half of 1983,⁴ points to the progressively worsening situation in the Community industry in the face of intensifying competitive pressures. The strength of Japan and the progress made by South Korea continue to dominate the market, particularly as regards prices. On account of the further drop in orders resulting from the situation prevailing, some Member States have recorded losses by their State-owned shipyards higher than were forecast and have had to step up their support beyond the levels initially notified to the Commission.

Aluminium

Germany

2.1.51. On 29 January the Commission decided to initiate the Article 93(2) pro-

cedure in respect of a DM 2 million grant paid by the *Land* of Baden-Württemberg to facilitate the recovery of an aluminium processing firm in difficulty.

The Commission considered that the aid had been granted unlawfully, since it had not been notified in advance and did not appear to qualify for any of the exemptions under Article 92.

Flat glass

Belgium

2.1.52. On 13 January the Commission decided to initiate the Article 93(2) procedure in respect of the Belgian Government's proposal to grant aid towards investments by a flat glass manufacturer at Moustier, in Namur province.

The investment is intended to modernize and replace two float lines. Given the overcapacity in the flat glass industry and the fact that 50% of the output from Moustier is exported to other Member States, the Commission took the view that the proposed assistance was likely to create distortions of competition and affect trade between Member States, while it did not qualify for any of the exemptions under Article 92.

Brewing equipment

Belgium

2.1.53. On 29 January the Commission decided to initiate the Article 93(2) procedure in respect of a scheme of assistance for the brewing equipment industry in Belgium. In 1984 the Walloon authorities set up a financing company, Technibra SA, to promote the manufacture of brewing

¹ OJ L 137, 23.5.1981; Bull. EC 4-1981, point 2.1.20; OJ L 371, 30.12.1982; Bull. EC 12-1982, point 2.1.45.

² OJ L 2, 3.1.1985; Bull. EC 11-1984, point 2.1.44.

³ COM(85) 728 final.

⁴ Bull. EC 5-1984, point 2.1.57.

equipment by acquiring holdings in firms in the industry and granting them funds. Technibra's first transaction (that same year) was to contribute BFR 50 million to a firm manufacturing brewing equipment in Tournai—a firm which is also controlled by the Walloon authorities and has been in difficulties for a number of years.

On the basis of the information in its possession, the Commission considers that this transaction is incompatible with the common market under Article 92.

Electrical plant

France

2.1.54. On 29 January the Commission initiated the Article 93(2) procedure in respect of a case of application of the French scheme for loans from the Fonds industriel de modernisation (FIM) to the electrical engineering industry. The scheme, which provides for loans of a maximum 10-year term with a two-year period of grace and can cover up to 40% of investment, had been approved by the Commission, subject to certain conditions, on 19 December 1984.¹

The Commission considered that the conditions concerning notification laid down in its Decision had not been met and that the information supplied was inadequate. Moreover, on the basis of such information as it had, the Commission felt that the investments for which the loans were granted were intended purely and simply to modernize production facilities; in that light the assistance in question was incompatible with the common market and failed to qualify for any of the exemptions under Article 92.

Textiles and clothing

Italy

2.1.55. On 29 January the Commission decided to initiate the Article 93(2) pro-

cedure in respect of two proposed aid schemes notified by the Italian Government. The two schemes are specific cases of application in the textile and clothing industry of Italian Act No 675/77 to firms belonging to a State-owned group. These firms have received assistance in the past for restructuring and to cover operating losses.

In the Commission's view, the aid appeared to be intended chiefly as support for basic modernization and adaptation of capital goods, which any firm must undertake if it wishes to remain competitive, and it concerned sensitive branches such as ready-to-wear, wool yarn and fabrics, and machine-made carpets.

Chemicals

Luxembourg

2.1.56. On 29 January the Commission decided to terminate the procedure initiated on 5 December 1984 in respect of a plan notified by the Luxembourg Government to grant aid towards the building of a polyester film production line at Contern,² which it considered to be incompatible with the common market. The Luxembourg Government had informed the Commission of its decision to withdraw the plan.

Financial institutions and taxation

Taxation

Indirect taxes

Turnover taxes

2.1.57. On 15 January the Commission sent the Council a proposal for a 21st VAT

¹ OJ L 216, 13.8.1985; Bull. EC 12-1984, point 2.1.62.

² Bull. EC 12-1984, point 2.1.69.

Directive¹ authorizing Greece to extend, for the second time,² the 1 January 1984 deadline laid down in the Act of Accession for introducing the common system of VAT; the new extension is from 31 December 1985 to 31 December 1986. This proposal is in response to the request made by the Greek Government on 14 October 1985, in the context of the programme of measures designed to improve the economic situation in Greece, that it be allowed an additional period of one year for the introduction of VAT.³ The new exemption is subject to certain conditions, one of them being that Greece pay its contribution to the 1986 Community budget on the basis of the VAT base specified in the preliminary draft budget.

2.1.58. On 29 January the Economic and Social Committee delivered a favourable opinion on the proposal (→ point 2.4.30), expressing the hope that it was the last such proposal.

2.1.59. On 14 January Parliament adopted an opinion⁴ on the proposal for a 16th VAT Directive designed to eliminate the double taxation that still occurs when goods are acquired by individuals in one Member State and imported into another.⁵ It endorsed the general thrust but asked the Commission to explore ways of further simplifying the formalities and suggested amendments to that effect.

Excise duties

2.1.60. On 14 January Parliament delivered an opinion⁶ on two proposals for Directives⁷ to supplement the 1972 proposals for harmonizing taxes on alcoholic drinks.⁸ Making it clear once again that in its view excise duties on alcoholic drinks should be harmonized simultaneously,⁹ it deplored that fact that the Commission had restricted the scope of its first proposal, concerning certain rules on indirect taxes on the consumption of those drinks, and considered that the standstill provisions should also apply to excise duty differen-

tials. As regards the second proposal, concerning the harmonization of excise duties on fortified wine and similar products, referred to as intermediate products, Parliament asked that 'similar products' be defined to mean only quality liqueur wines specifically and exclusively of agricultural origin, and approved the exceptional arrangements introduced for 'vins doux naturels'.

2.1.61. On 29 January the Economic and Social Committee gave its opinion on the proposal for a Directive extending the second stage of harmonization of the structures of excise duties on cigarettes (→ point 2.4.29).¹⁰

Employment, education and social policy

Employment

Employment and the labour market

2.1.62. From 30 January to 1 February a seminar organized by the Commission was held in Avignon, France, to study ways of making better use of Community labour force sample surveys.¹¹ The experts taking part concentrated on three aspects: employment and youth unemployment; the structure of work and working time; trends in sectoral employment.

¹ COM(85) 821 final.

² OJ L 360, 23.12.1983; Bull. EC 12-1983, point 2.1.54.

³ Bull. EC 11-1985, point 1.3.5.

⁴ OJ C 36, 17.2.1986.

⁵ OJ C 226, 28.8.1984; Bull. EC 7/8-1984, point 2.1.82.

⁶ OJ C 36, 17.2.1986.

⁷ OJ C 114, 8.5.1985; Bull. EC 4-1985, point 2.1.47.

⁸ OJ C 43, 29.4.1973.

⁹ OJ C 175, 15.7.1985; Bull. EC 6-1985, point 2.5.13.

¹⁰ Bull. EC 12-1985, point 2.1.86.

¹¹ OJ L 350, 27.12.1985; Bull. EC 12-1985, point 2.1.90.

Education and vocational training

Higher education

2.1.63. On 3 January the Commission transmitted to the Council a draft action programme on student mobility (Erasmus — European Action Scheme for the Mobility of University Students).¹ This scheme is based on the programme for cooperation in the field of higher education set up in 1976² and is aimed at taking Community action in this area beyond the experimental stage.

The main objectives of the Erasmus programme are:

- (i) to enable a growing number of students (at least 10% by 1992) to acquire first-hand experience of life in another Member State through a recognized period of study abroad;
- (ii) to ensure the development of a pool of graduates with direct experience of intra-Community cooperation, as means of providing a broader basis for intensified economic and social cooperation in the Community;
- (iii) to strengthen the ties between citizens of the various Member States with a view to consolidating the concept of a people's Europe.

Under this programme, grants will be accorded to students following courses in other Member States; financial support will also be available for the organization of intensive short-duration seminars on specific subjects for students from different Member States. To stimulate student exchanges the Community will set up a network involving 600 European universities by 1987; it will be expanded to cover 1 700 institutions by 1989.

Since the academic recognition of diplomas and periods of study spent in other Member States is an integral part of the overall strategy to encourage the mobility of students in the Community, Erasmus will give financial support to three schemes: the introduction

of an experimental system for the academic recognition of qualifications and transferable course credits; intensification of the activities of the current network of 12 national academic recognition information centres; and the joint development of curricula by different universities in the Community.

Community finance will also be made available for a number of complementary measures (preparatory visits; contacts between university teachers; introduction of a Community dimension into the activities of teachers' and students' associations; annual award of a European prize).

The budget allocation for the first phase (1987-89) is currently estimated at 175 million ECU.

Education and training for migrant workers

2.1.64. Experts met in Brussels on 10 and 17 January to study the results of a language test taken by immigrant children in the first year of secondary education in the Netherlands. Problems regarding education guidance and the assessment of pupils from other cultural backgrounds who fail to acquire an adequate command of the language of the host country were also discussed.

Living and working conditions and social protection

Equal opportunities for men and women

2.1.65. On 30 and 31 January the first round-table seminar on the position of women *vis-à-vis* the new technologies was held at Roskilde, in Denmark. Support for such seminars is part of the Commission's new medium-term action programme on equal opportunities for men and women

¹ COM(85) 756 final.

² OJ C 38, 19.2.1976; Tenth General Report, point 402.

(1986-90),¹ which was sent to the Council on 20 December 1985.

Social integration of disabled people

2.1.66. On 17 January the Commission adopted for transmission to the Council a draft recommendation² which aims to promote the employment of disabled people as called for in the resolution on the social integration of handicapped people passed by the Council and the Representatives of the Governments of the Member States meeting within the Council on 21 December 1981.³ The resolution invites the Member States to continue and intensify their measures to ensure that handicapped people do not shoulder an unfair burden of the effects, particularly on employment, of economic difficulties. The draft recommendation is backed by a model code of good practice, and the Commission urges each Member State to adopt a similar code.

Social integration of migrant workers

2.1.67. On 16 January Parliament adopted two resolutions on the rise of Fascism and racism in Europe (→ point 2.4.10),⁴ in which it expressed the wish to be involved in the final drafting of the joint declaration by Parliament, the Council and the Commission on attitudes and organizations motivated by racism and xenophobia; a provisional draft declaration was sent by the Commission to the Council on 20 December 1985.⁵

*

2.1.68. On 17 January Parliament adopted a resolution on child abuse (→ point 2.4.10).⁶

Health and safety

Public health

2.1.69. On 24 January the Commission convened a group of cancer specialists to

advise on future Community action in the field of cancer prevention and cancer research (→ point 2.1.78).

Health and safety (ECSC)

2.1.70. Following the three resolutions adopted by Parliament on 14 March 1985 concerning safety in coal mines,⁷ the working party on ventilation of the Mines Safety and Health Commission met in Luxembourg on 21 January. It launched a priority programme of work to draw up proposals aimed at reducing the risks of explosion and fire in blind mine galleries.

Health and safety (Euratom)

2.1.71. In pursuance of its obligations under Article 30 of the Euratom Treaty, the Commission published a communication⁸ on the implementation of the Council Directive of 15 July 1980 amending previous Directives laying down the basic safety standards for the health protection of the general public and workers against the dangers of ionizing radiation,⁹ and on the implementation of the Council Directive of 3 September 1984 amending the 1980 Directive.¹⁰

A people's Europe

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

Free movement of citizens

Tourism

2.1.72. The Commission adopted for transmission to the Council a communi-

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

² COM(86) 9 final.

³ OJ C 347, 31.12.1981.

⁴ OJ C 36, 17.2.1986.

⁵ Bull. EC 12-1985, point 2.1.110.

⁶ OJ C 36, 17.2.1986.

⁷ OJ C 94, 15.4.1985; Bull. EC 3-1985, point 2.1.56.

⁸ OJ C 347, 31.12.1985.

⁹ OJ L 246, 17.9.1980; Bull. EC 7/8-1980, point 2.1.54.

¹⁰ OJ L 265, 5.10.1984; Bull. EC 9-1984, point 2.1.55.

cation on Community measures in the field of tourism (→ point 1.4.1 *et seq.*).

2.1.73. On 16 January Parliament gave its opinion on the proposal for a recommendation concerning fire safety in existing hotels, sent by the Commission to the Council in January 1984 (→ point 2.1.11).

It also adopted a resolution on 17 January on the potential for developing less-favoured regions of the Community by attracting new residents, especially from among the elderly, and long-term visitors on health cures (→ point 2.4.10).¹

Free movement of goods

Double charging of VAT

2.1.74. With the gradual establishment of a genuine common market, the material advantages to the Community citizen increase day by day. One source of harassment for private individuals has been their dealings with the tax authorities when crossing internal Community frontiers with movable property such as boats, cars, dishwashers and refrigerators, whether these form part of their household effects, have been bought privately second-hand or received as a gift. The Court of Justice has given judgment in such cases, and the Commission is putting more pressure on the Member States to obey Community law.

In two judgments² the Court first ruled that it would be a breach of the Treaty if an importing Member State, when applying its own VAT, failed to allow for the residual proportion of VAT already paid in the exporting Member State, which is incorporated in the value of the product at the time of its importation. In its second ruling the Court laid down a method of calculating the VAT due when a private individual imports second-hand goods on which VAT has already been charged in the exporting Member State.

A further point to note is that the Commission has already sent the Council a proposal for a seventh Directive on the double

charging of VAT — *inter alia* on second-hand goods.³ The Commission is determined to simplify indirect taxation to which Community citizens are liable.

It is particularly concerned that the Member States should take practical steps to ensure that their citizens benefit from the application of Community law to indirect taxation.

With this in mind it published a notice in the *Official Journal* on 21 January to draw the attention of Community citizens to the advantages which the prohibition of double imposition of VAT offers them.⁴

Citizens' rights

Increased opportunities for employment and residence

Right of establishment

2.1.75. On 16 January Parliament gave its opinion on a proposal for a Directive on specific training in general medical practice which the Commission had transmitted in December 1984 (→ point 2.1.9).

2.1.76. At its January session the Economic and Social Committee gave its opinion on a proposal for a Council Directive on a general system for recognition of higher education diplomas which involves a new approach to the question (→ point 2.4.28).⁵

Health and social security

Social integration of disabled people

2.1.77. On 17 January the Commission adopted for transmission to the Council a

¹ OJ C 36, 17.2.1986.

² Judgment of 5 May 1982 in Case 15/81 *Gaston Schul v Inspecteur der Invoerrechten en Accijnzen* (1982) ECR 1409; Judgment of 21 May 1985 in Case 47/84 *Staatssecretaris van Financien v Gaston Schul* (not yet reported; see OJ C 144, 13.6.1985).

³ OJ C 26, 1.2.1978; OJ C 136, 31.5.1979.

⁴ OJ C 13, 21.1.1986.

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

draft recommendation which aims to promote the employment of disabled people (→ point 2.1.66).

Action against cancer

2.1.78. On 24 January the Commission convened a group of cancer specialists to advise on future Community action in the field of cancer prevention and cancer research.

In line with the paper it sent to the Council on 13 December on action against cancer,¹ the Commission is pursuing its objective of encouraging and supporting the considerable efforts now being made in the Member States to make them as effective as possible.

The operations mounted by the Community include a publicity campaign with the accent on prevention, aimed at the general public, the health professions and the various groups concerned.

Other matters under consideration are campaigns against smoking and other recognized causes of cancer; research into new

methods of detection and treatment; cooperation between European research centres and the training of cancer specialists; and ways of obtaining better information for both research and planning purposes.

Regional policy

Financial instruments

European Regional Development Fund

ERDF grants

Project financing

2.1.79. On 22 January the Commission approved the first allocation of grants for 1986 from the European Regional Development Fund: 436.84 million ECU for 53 investment projects in the two new Member States, Spain and Portugal, costing a total of 1 325.90 million ECU. The assistance granted under this allocation is distributed as shown in Table 2.

Table 2 — ERDF grants: first 1986 allocation

	Number of grant decisions	Number of investment projects	Investment assisted (million ECU) ¹	Assistance granted (million ECU) ¹
Spain	26	36	556.86	194.58
Portugal	17	17	769.04	242.26
Total	43	53	1 325.90	436.84

¹ Converted at January 1986 rates.

The total of 436.84 million ECU breaks down as follows:

- (i) 2.43 million ECU to help finance one project falling into the 'industrial, craft and service sectors' category;
- (ii) 434.41 million ECU to help finance 52 infrastructure projects.

This first ERDF allocation for 1986 brings the number of projects financed since the

Fund was set up to 29 147 and the total assistance granted to approximately 14 340 million ECU.

Programme financing

2.1.80. On 20 January the Commission sent the Council proposals for the first two

¹ Bull. EC 12-1985, point 2.1.41.

Community programmes to be part-financed by the ERDF.¹ The aims of the programmes are to improve access to advanced telecommunications services (the STAR programme) and to exploit indigenous energy potential in certain regions (the Valoren programme).

With the entry into force of the new ERDF Regulation² in 1985, it is now possible to launch Community programmes that serve a twofold purpose: to help resolve serious socio-economic problems in the regions and to provide a better link between the Community's regional development objectives and the objectives of other Community policies. The first two such programmes proposed by the Commission should concentrate on the least-favoured regions in the Community—Greece, Ireland, the Mezzogiorno, Northern Ireland, the French overseas departments, Corsica and certain Spanish and Portuguese regions still to be determined.

2.1.81. In the case of the STAR programme,³ the Commission takes the view that new technological developments, instead of being allowed to lead to the ossification of existing economic structures, must be the means whereby the less-developed regions are able to participate in the qualitative improvements in new technologies, particularly telecommunications, now discernible in Europe. To this end, the programme, for which a multiannual ERDF allocation of 700 million ECU has been proposed, provides for the installation of the modern telecommunications equipment needed and for a consistent series of aid measures to boost the supply of, and demand for, advanced services. Naturally, the bulk of the planned assistance is earmarked for basic equipment, the specific nature of the Community programme consisting in financing only advanced telecommunications that reflect the policy guidelines laid down by the Community (establishment of major telecommunications links, including the broadband transnational digital network—investment projects assisted in this connection may include land-based (or submarine) systems, notably

those using optical fibres, and satellites systems—as well as degitalization, superimposed networks and cellular radio).

At the same time, to permit optimum use of this basic equipment, the Commission has planned appropriate measures to encourage the supply of, and demand for, advanced services directly accessible to the productive sector, notably small business. The aim is to allow individuals and firms in the less-favoured regions to take full advantage of the services available.

2.1.82. The design of the Valoren programme,⁴ for which an indicative allocation of 350 million ECU is planned, is based on the finding that the least-developed regions of the Community, which are also confronted with a generally adverse energy situation, possess an energy potential that has not yet been sufficiently exploited.

The measures under this programme are concerned first with the economic exploitation of local energy resources such as alternative and renewable energies (solar energy and windpower, biomass, small-scale hydro-power and geothermal energy) and small deposits of peat and brown coal. The programme also seeks to encourage the efficient use of energy, primarily by small businesses (insulation, regulation, lagging, load balancing, and feasibility studies).

Both types of measure are backed by extensive promotion activities for the following operations: analysis and programming at regional and local levels (programming being particularly useful where the objective is integrated exploitation of all the available energy resources), advisory services and technical assistance for small business, and dissemination of know-how.

2.1.83. On 29 January the Economic and Social Committee adopted an own-initiative

¹ COM(85) 836 final; COM(85) 838 final.

² OJ L 169, 28.6.1984; Bull. EC 6-1984, point 1.3.1 *et seq.*

³ COM(85) 836 final.

⁴ COM(85) 838 final.

opinion on national regional development aid (→ point 2.4.27).

Coordinated application of structural financial instruments

Integrated Mediterranean programmes

Preparatory measures

2.1.84. At the end of December the Commission adopted a number of decisions concerning measures in preparation for IMPs (Article 550 of the budget). The measures cover:

(i) the launching of two pilot actions in the prefecture of Grevena (Greece) and in Umbria (Italy);

(ii) the extension of three pilot actions in progress concerning Sardinia (Italy), the island of Lesvos (Greece) and Lazio (Italy);

(iii) the launching of five new actions in France: at Lescar in Aquitaine, in Gard, on the Valensole plateau in Alpes-de-Haute-Provence, in Tarn-et-Garonne and in central Lot in Aquitaine;

(iv) the implementation of a pilot action for the fishery and aquaculture industry in Greece.

Preparatory studies

2.1.85. Also at the end of December the Commission approved an IMP preparatory study (Article 550 of the budget) in the prefecture of Messina (Greece).

Environment and consumers

Environment

Prevention and reduction of pollution and nuisances

Noise

Rail-mounted vehicles

2.1.86. In the light of Parliament's opinion,¹ the Commission amended² on 22

January its proposal for a Directive on the noise emitted by rail-mounted vehicles,³ for reasons of simplicity and ease of practical application.

Protection and rational use of resources

Natural resources

Transfrontier shipment of hazardous waste

2.1.87. On 17 January Parliament approved⁴ the Commission's proposal for a Directive⁵ to supplement the Council Directive of 6 December 1984 on the transfrontier shipment of hazardous waste.⁶

Agriculture

Council

2.1.88. On 20 and 21 January, in its discussions on the Green Paper,⁷ the Council resumed the broad debate it had begun in 1985 on the problems of reforming the common agricultural policy.

It also established, by a qualified majority, a policy position on the matters under discussion concerning the allocation of the GATT quota and the estimates for beef and veal (→ point 2.1.92), and agreed to the proposed Regulation on the transfer of 300 000 tonnes of common wheat held by the United Kingdom intervention agency to Italy for disposal in animal feed (→ point 2.1.101).

The Council adopted the Regulation laying down general rules for the disposal of alcohol obtained from the compulsory distil-

¹ OJ C 122, 20.5.1985; Bull. EC 4-1985, point 2.1.72.

² COM(86) 7 final.

³ OJ C 354, 29.12.1983; Bull. EC 11-1983, point 2.1.105.

⁴ OJ C 36, 17.2.1986.

⁵ OJ C 284, 7.11.1985; Bull. EC 9-1985, point 2.1.86.

⁶ OJ L 326, 13.12.1984; Bull. EC 12-1984, point 2.1.132.

⁷ Bull. EC 12-1985, points 1.2.1 *et seq.* and 2.1.54 *et seq.*

lation of surplus wine (→ point 2.1.97) and amended the Regulation concerning the resale in Ireland and Northern Ireland of cereals held by the United Kingdom and Irish intervention agencies for disposal in animal feed.

Without prejudice to the opinion of Parliament, the Council reached agreement on the final version of the text concerning the new sugar arrangements in the Community, thus confirming the conclusions which it had reached in December.¹

The Council stressed that it wished to reach a decision on aid for starch² and on production refunds on sugar used in the chemical industry³ at its 24 and 25 February meeting.

The Council reached a common position on slaughterhouses in Belgium (→ point 2.1.106).

The Council was informed of progress on three proposals for specific measures to help remove structural or infrastructural handicaps suffered by agriculture in certain areas (→ point 2.1.104).

Finally, the President, speaking in the wider context of the completion of the internal market, emphasized the importance of harmonization in the veterinary, plant health and foodstuffs sectors and announced his intention of giving close attention to these matters at forthcoming Council meetings.

The Agricultural Situation in the Community—1985 Report⁴

2.1.89. In *The Agricultural Situation in the Community—1985 Report* which it sent to Parliament in January, the Commission took stock of the economic situation, the agricultural price decisions, structures policy, production and incomes, the market situation, consumer affairs, external relations, the harmonization of national laws and the financing of the CAP.

In addition to these familiar topics which, as in previous years, have chapters devoted to them in the Report, two other matters

were given particular attention: the first chapter of the Report deals in depth with the agricultural aspects of Community enlargement to include Spain and Portugal. After a description of agriculture in the two new Member States, the main problems arising—or liable to arise—are identified and attention is focused on the solutions which have resulted from the negotiations. A separate statistical annex to this chapter sets out the basic data and the key figures relating to the Community of Twelve.

The second new topic is the Green Paper published last July which set out the Commission's reflections on the perspectives for the common agricultural policy and presented a number of basic options for the future.⁵

2.1.90. In comparison with 1984, which was a particularly good year for Community farmers, there is little cause for satisfaction with the agricultural situation in 1985, chiefly on account of the bad weather in many parts of the Community.

Crop production was lower in both quality and volume than in 1984 (cereals by 6%, tomatoes by 11%, apples by 9% and wine by 13%). The situation as regards livestock products shows that milk production fell by 5% in 1985, in line with the objectives set under the milk quota scheme, while meat production (other than beef/veal) increased by between 1% and 2%.

Overall, there are still difficulties in managing the markets for the main agricultural products because supply continues to outstrip demand. Intervention stocks have kept growing and have thus become the major

¹ Bull. EC 12-1985, point 2.1.163.

² OJ C 341, 21.12.1984; Bull. EC 11-1984, point 2.1.96.

³ Bull. EC 9-1985, point 2.1.95.

⁴ Published in conjunction with the *Nineteenth General Report on the Activities of the European Communities, 1985*, available from the Office for Official Publications of the European Communities, L-2985 Luxembourg. Detailed information on the development of the agricultural markets is given in the Commission paper 'The situation of the agricultural markets—1985 report', COM(85) 722 final.

⁵ Bull. EC 7/8-1985, point 1.2.1 *et seq.*

problem in the day-to-day management of the markets.

In 1985, as in previous years, agriculture helped to slow down inflation: in most Member States, the rise in prices for agricultural products (2%) was still lower than the general rate of inflation (5.1%). On the other hand, unlike previous years, input prices rose very slightly (1.6%). In spite of this trend, agricultural income in 1985 was down on the previous year, chiefly because production levels were lower.

Market organizations

The situation of the agricultural markets — 1985 report

2.1.91. In addition to *The Agricultural Situation in the Community — 1985 Report* (→ points 2.1.89 and 2.1.90), the Commission published last December its 1985 report on the situation of the agricultural markets.¹

The report contains an analysis of each of the 19 products for which there is an EEC market organization and the three products (agricultural alcohol, potatoes and honey) for which there is no such organization. It also includes a survey of the meat, feeding-stuffs and oils and fats sectors.

The Commission's analysis demonstrates the need to complete the adaptation of the common agricultural policy to current reality, as agricultural market management is increasingly concerned with managing stocks of agricultural products. The fact must be faced that, given the saturation of many Community markets and the limited prospects for growth in effective demand or for a reduction in competing supply on national markets, it is no longer possible to improve market balance or even to manage or finance Community stocks by means of the existing market instruments. Even in those sectors which have already undergone considerable reform, such as milk and milk products and wine, much has still to be done to reduce stocks and manage supply.

The need for radical reorganization in other sectors, such as cereals and beef/veal, will make it even more difficult to achieve better market equilibrium and at the same time maintain agricultural income.

Beef/veal

2.1.92. On 27 January the Council adopted estimates for 1986 concerning young male bovine animals for fattening weighing 300 kg or less and frozen beef/veal for processing.²

These provide that 175 000 young male bovine animals and 25 000 tonnes of meat for processing may be imported in 1986. Two thirds of the stated quantity of meat may be imported exempt from the levy and one third at a reduced levy.

When the two estimates were adopted, it was also arranged that a special import quota for 1986 should be opened unilaterally for high-quality fresh, chilled or frozen beef/veal (6 000 tonnes) at zero duty.

Following adoption of the estimates, the Council also adopted³ a Regulation opening, allocating and providing for the administration of a Community tariff quota for frozen beef and veal falling within subheading 02.01 A II b) of the Common Customs Tariff (1986).⁴ This Regulation concerns the import of 50 000 tonnes under a GATT quota and the allocation of this quantity between the Member States.

Sheepmeat

2.1.93. On 3 January the Commission adopted a Regulation amending the detailed rules for applying the variable slaughter premium for sheep.⁵

This Regulation finally puts an end to the 'special export licence' system operated by

¹ COM(85) 722 final.

² OJ L 27, 1.2.1986.

³ Bull. EC 12-1985, point 2.1.160.

⁴ OJ L 25, 31.1.1986.

⁵ OJ L 2, 4.1.1986.

the United Kingdom whereby a variable premium was paid in respect of animals, especially ewes, which were exported but had not originally qualified for the variable premium on the market.

As from the new 1986 marketing year, the clawback to be recovered when animals not qualifying for the variable premium on the market are exported will be reduced to a percentage of the variable premium (50% in the case of ewes and rams and 10% in the case of lambs weighing 14 kg or more).

2.1.94. On 13 January Parliament adopted a resolution on the budgetary control aspects of the common organization of the market in sheepmeat (→ point 2.4.10).¹

Wine

Forward estimate for 1985/86

2.1.95. In January the Commission adopted the forward estimate for the 1985/86 wine year.² The estimate shows total production of about 142 million hl of wine, of which table wine accounts for 99 million hl. This represents a slight decrease on the previous year's figures (148 and 108 million hl respectively).³ End-of-year stocks amounted to some 43 million hl, compared to 49 million hl at the end of the previous year. In spite of this decrease, supplies are still in surplus, so that it will be necessary to make use of the instruments for improving market conditions which are available to the common organization of the market in wine.

2.1.96. Since the estimate indicated that the amounts of table wine available at the beginning of the wine year exceeded by more than four months' supply those normally used up over the year, on 17 January the Commission authorized the conclusion of long-term private storage contracts for all types of table wine and for grape must, concentrated grape must and rectified concentrated grape must.⁴ These contracts, lasting for nine months, may be concluded until 15 February 1986.

Disposal of wine alcohol

2.1.97. On 20 January the Council, acting on a proposal from the Commission,⁵ adopted the general rules for the disposal of wine alcohol held by intervention agencies and obtained from compulsory distillation operations.⁶ Such alcohol will be disposed of only by tendering procedures with a minimum selling price. There is little chance of disposing of such alcohol for human consumption in view of the obligation, which forms part of the basic wine Regulation, to avoid any disturbance of the markets in alcohol and spirituous beverages produced in the Community. It will, however, be possible to dispose of such surplus alcohol as an additive in fuel and as fuel for power stations.

Milk and milk products

Application of the supplementary levy⁷

2.1.98. Milk deliveries in the Member States have shown a marked upward trend since September/October 1985. The reference quantities allocated to producers and purchasers are currently being exceeded in Belgium, France, Germany, Ireland, Luxembourg and the Netherlands. However, France and Ireland hope to be able to rectify the situation before the end of the milk year (31 March 1986).

Market situation⁸

2.1.99. In view of the very limited export outlets for milk products, particularly butter, since the end of 1985, intervention stocks remain very high: at 30 January 1 151 935 tonnes of butter and 571 513

¹ OJ C 36, 17.2.1986.

² OJ C 20, 30.1.1986.

³ Bull. EC 12-1984, point 2.1.148.

⁴ OJ L 14, 18.1.1986.

⁵ Bull. EC 6-1984, point 2.1.92; Bull. EC 12-1985, point 2.1.153.

⁶ OJ L 19, 25.1.1986.

⁷ Bull. EC 10-1985, point 2.1.103.

⁸ Bull. EC 11-1985, point 2.1.135 *et seq.*

tonnes of skimmed-milk powder were held in Community stocks. The scheme for cut-price sales of butter from public stocks for direct consumption in the form of concentrated butter enabled the intervention agencies to conclude contracts for a total of 15 802 tonnes between the date when the scheme was introduced (25 November 1985) and 27 January 1986.¹ The quantity of subsidized butter used in making pastry products and ice-cream was 219 095 tonnes in 1985 as against 187 228 tonnes in 1984.

2.1.100. On 21 January the Commission approved a 10th communication to the Council concerning the programme for the

utilization of co-responsibility levy funds in the milk sector.² This contains the Commission's proposals concerning the uses to be made of the funds generated by the co-responsibility levy of 2% of the target price applicable for the 1986/87 milk year. When the 1985/86 prices were set, the Council stated that the disposal of additional quantities of milk fat arising from its decisions should be financed by an increased contribution from the co-responsibility levy funds.³

The programme of specific measures proposed for the 1986/87 milk year is set out in the following table:

Table 3

Measures	Allocations (million ECU)
Promotional measures within the Community	25
Launch of the concentrated butter scheme	5
Research within the Community	10
Improvement of milk quality	5
School milk	75
Butterfat for ice-cream	50
Butterfat for pastry and bakery products	125
Concentrated butter	60
Other butter destocking measures	140
Reserve	15
Total	510

The cost of this programme should be compared with the revenue from the 1985/86 milk year of 510 million ECU.

Cereals

2.1.101. The severe drought which affected central and southern Italy during the summer of 1985 brought about a serious shortage of winter fodder and feed grain in those areas, thus posing problems for stockfarmers who might be obliged to sell their livestock prematurely with resulting losses in income.

In response to a request for aid from Italy, the Council, acting on a proposal from the Commission,⁴ adopted a Regulation providing for the transfer of 300 000 tonnes of feed wheat held by the United Kingdom intervention agency to warehouses located near Italian ports for disposal in animal feed.⁵

This wheat will be resold by tender on the basis of a minimum price equal to the price

¹ Bull. EC 11-1985, point 2.1.137.

² COM(86) 19 final.

³ Bull. EC 5-1985, point 2.1.83.

⁴ COM(85) 783 final.

⁵ OJ L 29, 4.2.1986.

applied on resale from intervention. The Commission also intends to allow the beneficiaries of this scheme three months in which to pay for the quantities awarded.

The cost to the budget is estimated at 10.8 million ECU, but the transfer scheme has the effect of reducing surpluses and will result in a saving of some 7 million ECU in storage costs.

2.1.102. On 17 January Parliament endorsed¹ the Commission's proposals to amend the current system of production refunds for starch and amylaceous products.²

Fibre flax

2.1.103. In January the Commission adopted its detailed programme of measures to promote the use of flax within the Community. These include informing other textile sectors such as household linen and furnishings of the high reputation which flax enjoys in the clothing sector.

Structures

2.1.104. At its 20 and 21 January meeting the Council was informed of progress on three proposals for specific measures in certain areas of the Community which the Commission had transmitted on 7 January.³ The purpose of these measures is to encourage agriculture:

- (i) by improving the raising of beef cattle in certain less-favoured areas of France;
- (ii) in certain less-favoured areas of northern Italy;
- (iii) in the islands off the northern and western coasts of Scotland, with the exception of the Outer Hebrides.

Accession-related measures

2.1.105. The Council, acting on a proposal from the Commission,⁴ adopted a Regulation setting up a specific programme for the development of Portuguese agri-

culture. The programme, while laying stress on measures relating to advisory services and vocational training in agriculture, covers a range of measures relating chiefly to the development of rural infrastructure, the improvement of land structures including early cessation of activity, irrigation and drainage, specific measures concerning the structure of farms, the upvaluing of agricultural produce and forestry measures. The financial contribution by the Community to the various measures is between 50% and 75%. The cost to the Community is estimated at 700 million ECU over 10 years.

The Council also adopted a Regulation amending, by reason of the accession of Spain and Portugal, Regulations Nos 797/85,⁵ 355/77,⁶ 1360/78⁷ and 458/80⁸ on agricultural structures.⁹ In addition to the technical adjustments needed to make these Regulations applicable in Spain and Portugal, the purpose of the Regulation is also to extend to Portugal the most favourable terms laid down for certain less-favoured areas of the Community.

In this context, the Council adjusted the financial framework of the EAGGF as laid down in Regulation No 729/70 (→ point 2.1.115a).¹⁰

Rationalization and improvement of health conditions in slaughterhouses in Belgium

2.1.106. At its meeting on 20 and 21 January the Council established a common position on the Commission's proposal, made last December, for a Regulation introducing a Community measure to speed up the modernization of slaughterhouses in

¹ OJ C 36, 17.2.1986.

² OJ C 341, 21.12.1984; Bull. EC 11-1984, point 2.1.96; OJ C 234, 13.9.1985; Bull. EC 7/8-1985, point 2.1.151.

³ COM(85) 759 final.

⁴ COM(85) 732 final.

⁵ OJ L 93, 30.3.1985.

⁶ OJ L 51, 23.2.1977.

⁷ OJ L 166, 23.6.1978.

⁸ OJ L 57, 29.2.1980.

⁹ COM(85) 730 final.

¹⁰ OJ L 94, 28.4.1970.

Belgium and their adjustment to Community health standards.¹ The Commission proposed that a supplementary amount of 20 million ECU be earmarked for use in financing capital projects, stating that this expenditure would in no way affect the equitable sharing among the Member States of the resources arising from Regulation No 355/77 on common measures to improve the conditions under which agricultural products are processed and marketed. The period envisaged for carrying out this measure is three years from 1 January 1987.

Legislation

Competition

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

Denmark

Aid to reduce iron oxide levels in water-courses.

The 1986 budget and amendments to the 1985 budget for the funds for the selection or promotion of sales in the following sectors: seeds, plants, potatoes and horses.

The 1986 budget and the amended 1985 budget for the fund for fruit and horticultural products and the 'pro mille' fund.

France

Aid for horticulture (Onifllhor): measures concerning research, experimentation, development and improvements in economic organization.

Financing for the resale in France of 70 000 tonnes of intervention barley on special terms to assist stockfarmers affected by drought in summer 1985.

Netherlands

Measures to assist fruit growers in view of the damage caused by the severe winter of 1984/85. These measures provide only for a financial contribution towards the cost of replacing fruit trees and other trees destroyed by frost.

2.1.108. The Commission decided to initiate the Article 93(2) procedure in respect of an aid granted in Belgium to assist nurserymen and fruit growers in view of the damage caused by frost in 1984/85, since the granting of such aid was not made conditional upon a minimum level of damage due to frost.

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

(i) a French measure to grant compensation for the ending of aid towards transport;²

(ii) a bill to amend Act No 27 of 4 September 1979 of the region of Molise on measures to improve and develop animal husbandry.

European Agricultural Guidance and Guarantee Fund

Guidance Section

2.1.110. Pursuant to the Council Regulation of 15 February 1977 on common measures to improve the conditions under which agricultural products are processed and marketed,³ the Commission adopted on 20 December a number of decisions granting aid from the EAGGF Guidance Section. A total of 202.4 million ECU was granted to assist 438 projects.

The financial contribution from the Guidance Section towards carrying out these projects is limited to 50% of the total expenditure provided for in the case of projects

¹ OJ C 329, 19.12.1985; COM(85) 657 final.

² Bull. EC 7/8-1984, point 2.1.140.

³ OJ L 51, 23.2.1977.

in the Mezzogiorno, western Ireland, the whole of Greece except Greater Athens and the French overseas departments.

The second instalment for 1985 is given in the following table, broken down by Member State.

Table 4

	Number of projects	Aid granted	
		in national currency	in ECU ¹
Belgium	27	277 386 851	6 181 887
Denmark	26	44 818 239	5 606 232
France	78	172 243 660	25 596 036
Germany	93	42 600 899	19 307 439
Greece	36	5 520 602 544	42 116 284
Ireland	22	10 730 820	15 024 909
Italy	68	107 158 934 144	71 262 558
Luxembourg	1	4 607 125	102 675
Netherlands	34	12 374 989	4 989 472
United Kingdom	53	7 201 599	12 219 977
Total	438	—	202 407 469

¹ December 1985 exchange rates

2.1.111. Pursuant to the Council Regulation of 30 June 1981 on a common measure to improve the processing and marketing conditions in the cattlefeed sector in

Northern Ireland,¹ the Commission adopted two decisions on the financing of two projects for a total of 704 917 ECU (see Table 5).

Table 5

	Number of projects	Aid granted	
		in national currency	in ECU ¹
Ireland	2	415 429	704 917

¹ December 1985 exchange rates.

2.1.112. Pursuant to the Council Regulation of 18 February 1980 on collective projects for the restructuring of vineyards,² the Commission adopted, on 20 December, a second batch of decisions granting aid for 1985.

A total of 18.8 million ECU was granted for 47 projects (see Table 6).

¹ OJ L 197, 20.7.1981.

² OJ L 57, 29.2.1980.

Table 6

	Number of projects	Aid granted	
		in national currency	in ECU ¹
France	43	116 147 841	17 259 993
Germany	2	221 643	100 452
Italy	2	2 122 640 709	1 411 593
Total	47	—	18 772 038

¹ December 1985 exchange rates.

2.1.113. Pursuant to the Council Regulation of 6 February 1979 establishing a common measure for forestry in certain Mediterranean zones of the Community,¹

the Commission adopted, on 9 and 20 December, a batch of decisions on 18 special French and Italian programmes involving total aid of 56.8 million ECU (see Table 7).

Table 7

	Number of projects	Aid granted	
		in national currency	in ECU ¹
France	4	103 682 390	15 407 582
Italy	14	62 225 641 689	41 381 137
Total	18	—	56 788 719

¹ December 1985 exchange rates.

2.1.114. Pursuant to the Council Regulation of 25 July 1978 on a common measure to improve infrastructure in certain rural areas² in the Mezzogiorno, in the other less-favoured areas of Italy within the meaning of Council Directive 75/268/EEC of 28 April 1975³ and in the regions of Midi-Pyrénées, Languedoc-Roussillon, Provence-Côte d'Azur and Corsica and the departments of Pyrénées-Atlantiques, Ardèche and Drôme in France, the Commission adopted,

on 20 December, a batch of decisions granting aid for 1985.

A total of 49.9 million ECU was granted for 270 projects (see Table 8).

¹ O J L 38, 14.2.1979.

² O J L 204, 28.7.1978.

³ O J L 128, 19.5.1975.

Table 8.

	Number of projects	Aid granted	
		in national currency	in ECU ¹
France	135	89 652 095	13 322 629
Italy	135	55 021 865 112	36 590 500
Total	270	—	49 913 129

¹ December 1985 exchange rates.

2.1.115. Pursuant to the Council Regulation of 30 June 1981 on a integrated development programme for the less-favoured areas of Belgium,¹ the Commission adopted, on 20 December, a decision to grant aid for 1985 amounting to 47 500 ECU from the Guidance Section.

2.1.115a. On 13 September 1985 the Commission adopted a Regulation amending Regulation (EEC) No 2264/69 on applications for reimbursement of aid granted by Member States to organizations of fruit and vegetable producers.

During 1985 the Guidance Section paid the Member States 405 873 434 ECU either as reimbursements for expenditure effected in 1984, and partly in previous years, or as advances to cover expenditure to be effected in 1985 pursuant to certain regulations and directives containing special programmes to assist less-favoured areas. The reimbursement relates to the 1972 socio-structural directives, the directives and regulations to assist less-favoured areas and the regulations, directives and decisions on the EEC market organizations.

The Council also decided, in view of the enlargement of the Community, to increase the amount of the financial framework of the EAGGF Guidance Section. This amount, which had been fixed on 26 March 1985² at 5 250 million ECU for the period 1985 to 1989, was increased to 6 350 million

ECU by the Council Decision of 20 December.³

2.1.116. On 16 January Parliament adopted a resolution on budgetary control problems in the olive-oil sector (→point 2.4.10).⁴

Fisheries

Resources

Internal aspects

Community measures

Technical measures

2.1.117. On 17 January the Commission sent to the Council a proposal for a Regulation laying down definition of vessel characteristics and the way in which they should be applied to fishing vessels.⁵ Characteristics such as length, breadth,

¹ OJ L 197, 20.7.1981.

² OJ L 95, 2.4.1985.

³ OJ L 362, 31.12.1985.

⁴ OJ C 36, 17.2.1986.

⁵ COM(85) 846 final.

tonnage, date of entry into service and engine power need to be defined to ensure that the Community legislation on fisheries is uniformly applied.

National measures

Measures to give effect to Community rules

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

(i) on 17 January, two Netherlands decisions implementing Article 15(3) of Regulation (EEC) No 171/83;¹ at the same time the Commission reserved the right to deal at some later date with the Netherlands authorities' failure to provide official notification of these two decisions;

(ii) on 23 January, an Irish Order introducing, as from 21 October 1985, a licensing system for factory vessels operating in Irish waters.

External aspects

Bilateral relations

Senegal

2.1.119. An agreement in the form of an exchange of letters was initialled on 13 January, extending until 30 April the validity of the Protocol establishing the fishing rights and compensation provided for in the Fisheries Agreement between the Community and the Government of the Republic of Senegal.² This Protocol was due to expire on 15 January.

Guinea

2.1.120. An agreement in the form of an exchange of letters was initialled on 28 January, extending the validity of the Protocol to the Fisheries Agreement between the Community and the Government of the

Republic of Guinea³ for six months from 8 February.

2.1.121. In accordance with Article 167 of the Act of Accession, the Commission represented the Spanish authorities at the meeting held in Conakry on 22 January by the Joint Committee managing the fisheries agreement between Spain and Guinea.

Madagascar

2.1.122. The Agreement between the Community and the Democratic Republic of Madagascar on fishing off the coast of Madagascar, which was initialled on 20 December 1984,⁴ was signed in Antananarivo on 28 January.

Markets and structures

Market organization

2.1.123. On 21 January the Commission sent to the Council a proposal for a Regulation fixing, for the period from 1 March to 31 December 1986, the guide prices for certain fishery products listed in the Act of Accession of Spain and Portugal (Spanish mackerel, megrim, Ray's bream, monkfish, edible crabs and Norway lobsters) and amending the Regulation of 17 December 1985⁵ as regards the guide price for Atlantic sardines and anchovies.⁶

Accession-related measures

2.1.124. The Commission also adopted regulations to implement certain provisions of the Act of Accession such as:

¹ OJ L 24, 27.1.1983.

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

³ OJ L 111, 27.4.1983; Bull. EC 3-1983, point 2.1.133.

⁴ Bull. EC 12-1984, point 2.1.185.

⁵ OJ L 344, 21.12.1985; Bull. EC 12-1985, point 2.1.201.

⁶ COM(86) 27 final.

(i) the progressive removal of the quantitative restrictions applicable in the Member States other than Spain and Portugal to tinned sardines and tuna from Spain;¹

(ii) the fixing of the minimum guaranteed price for Atlantic sardines,¹ under the transitional arrangements for sardines;

(iii) the supplementary trade mechanism in the fisheries sector;

(ic) the storage premium system for Norway lobsters and edible crabs.

Transport

Infrastructure

Channel Tunnel

2.1.125. Mr Stanley Clinton Davis, the Member of the Commission with special responsibility for transport policy, told the press that the Commission welcomed the decision to build the Channel Tunnel, as announced by the French and United Kingdom Governments in Lille on 20 January. He stressed the enormous benefits of the project, including promotion of trade within the Community and stimulation of employment in both short and long term. It would also help to complete the internal market and to bolster the Community's technological capacity.

Since 1979 the Commission has been supporting projects for the construction of a fixed link between the continent and the United Kingdom. Now that the decision has been taken, the Commission will be studying the implications for the Community's transport network with the Member States under the established consultation procedures.

2.1.126. Before that, on 16 January Parliament had adopted a resolution on a fixed link across the Channel; this stressed the historical significance of the fixed link for

the Community's transport infrastructure policy (→point 2.4.10).²

Inland transport

Road transport

Technical aspects

Road safety

2.1.127. European Road Safety Year was officially inaugurated in the Netherlands on 9 January, in Belgium on 21 January and in the Federal Republic of Germany on 23 January.³

At a press conference Mr Clinton Davis stressed the importance of Community-wide road safety campaigns. A series of campaigns using the Community logo⁴ will be launched in the Member States on the following topics:

- (i) drinking and driving;
- (ii) moderating speeds;
- (iii) use of safety belts;
- (iv) making it safer to ride bicycles and motorcycles;
- (v) protecting children on the roads.

The Commission will propose legislation concerning vehicles (braking, side guards and mud flaps on lorries, roadworthiness testing, dangerous goods, etc.) and driving licences. It will also consider the problem of speed limits and carry out research into various aspects of road safety.

Air transport

2.1.128. On 28 January the Commission sent the Council a communication calling

¹ OJ L 31, 6.2.1986.

² OJ C 36, 17.2.1986.

³ Bull. EC 11-1985, point 2.1.168.

⁴ OJ C 11, 17.1.1986.

on the Member States to adopt a common position in the negotiations on air fares and capacity under the auspices of the European Civil Aviation Conference. All the Community Member States are among the 22 members of the Conference, which is the traditional forum for coordination of European air transport policy. Its talks on fares and capacity parallel the Council's deliberations on the Commission proposals aiming at making the present arrangements in this field more flexible.¹ Given the international dimension of civil aviation, it is highly desirable to reach the broadest possible agreement at European level on these changes to the system.

Energy

Specific problems

Solid fuels

State aid to the coal industry

2.1.129. After consulting the Council,² on 27 January the Commission authorized the State aid granted by Germany, France and Belgium to their coal industries in 1985 and the additional aid granted by the United Kingdom in 1984.³

Alternative sources

2.1.130. On 29 January the Commission sent the Council a communication and draft resolution on a Community approach to the development of new and renewable energy sources.⁴ It is one of a series of measures to develop a Community energy strategy in line with the Community energy objectives for 1995.⁶ Its main aim is to provide a

blueprint for a package of measures to make fuller use of this type of source. For the past 10 years the Community has been facing a difficult economic situation, provoked mainly by one energy crisis after another. Despite the success in improving energy efficiency over the past few years, the Community remains vulnerably dependent on oil imports. It must not relent, but must press ahead with its determined energy-saving and oil-substitution policy. In this context, schemes started today to make greater use of new and renewable sources are an 'insurance policy' for greater security of energy supplies for the Community in the long term.

Relations with non-member energy producers and importers

Mr Mosar's visit to the IEA

2.1.131. Mr Mosar held talks with Mrs Steeg, Executive Director of the International Energy Agency (IEA), in Paris on 27 and 28 January. With regard to the emergence of new oil producers on the world market, he told her that he had received an encouraging response from his opposite numbers in Tokyo during his visit to Japan in December.⁷ He also recalled that at the meeting of the IEA Governing Board in July,⁸ Japan had given an undertaking, under pressure from the Community, that it would gradually open its market to certain oil products from the Gulf countries.

¹ OJ C 78, 30.3.1982; Bull. EC 10-1981, point 2.1.142; OJ C 182, 9.7.1984; Bull. EC 2-1984, point 2.1.149.

² Bull. EC 11-1985, point 2.1.175.

³ OJ L 33, 8.2.1986.

⁴ COM(86) 12 final.

⁵ Bull. EC 9-1981, points 1.1.1 *et seq.*; Supplement 5/82 — Bull. EC; Bull. EC 6-1983, point 1.2.1 *et seq.*

⁶ Bull. EC 5-1985, point 2.1.106.

⁷ Bull. EC 12-1985, point 2.1.228.

⁸ Bull. EC 7/8-1985, point 2.1.205.

2. External relations

Commercial policy

Implementing the common commercial policy

Commercial policy instruments

Easing of restrictive measures

2.2.1. Under the Regulation of 14 November 1983 in import arrangements for products originating in State-trading countries, not liberalized at Community level,¹ the Commission decided to open quotas for the following:

Italy — Hungary: ‘horticultural’ glass;²

Ireland — Romania: tableware and household articles of porcelain or other ceramic materials;²

Italy — USSR: waste of unwrought aluminium, alloyed, recast into ingots, and unwrought aluminium, not alloyed;²

Italy — People’s Republic of China: silk yarn.³

Trade protection

2.2.2. The trade protection measures taken in January are shown in Table 9.

¹ OJ L 346, 8.12.1983.

² OJ C 24, 4.2.1986.

³ OJ C 25, 5.2.1986.

Table 9 — *Trade protection measures*

Council	Commission
<p>Anti-dumping proceedings</p> <p><i>Amendment of definitive anti-dumping duties imposed on imports of:</i></p> <p>Electronic typewriters originating in Japan OJ L 17, 23.1.1986 (definitive anti-dumping duty: OJ L 163, 22.6.1985)</p>	<p>Anti-dumping proceedings</p> <p><i>Termination of anti-dumping proceedings concerning imports of:</i></p> <p>Hammers originating in the People’s Republic of China OJ L 29, 4.2.1986 (initiation of proceeding: OJ C 96, 17.4.1985)</p> <p>Surveillance measures</p> <p><i>Extension of Community surveillance of imports of:</i></p> <p>Carnations and cut roses originating in various non-member countries OJ L 12, 16.1.1986 (introduction of surveillance: OJ L 330, 14.12.1975; OJ L 358, 22.12.1983; OJ L 340, 28.12.1984)</p> <p>Certain products originating in Japan OJ L 18, 24.1.1986 (introduction of surveillance: OJ L 77, 23.3.1983; OJ L 357, 21.12.1983; OJ L 330, 18.12.1984)</p> <p><i>Introduction of Community surveillance of imports of:</i></p> <p>Video tape recorders originating in South Korea OJ L 29, 5.2.1986 (introduction of similar measures concerning video tape recorders originating in Japan: OJ L 330, 18.12.1984)</p>

Table 9 (Continued)

Council	Commission
	<p><i>Extension of the period of validity of retrospective control of imports into the Community of:</i></p> <p>Footwear OJ L 12, 16.1.1986 (introduction of retrospective control: OJ L 188, 11.7.1978; OJ L 323, 19.12.1979; OJ L 330, 18.12.1984)</p>

***Treaties and trade agreements:
extension or automatic renewal***

2.2.3. On 27 January the Council authorized¹ the automatic renewal or continuance in force until 31 December 1987 of certain friendship, trade and navigation treaties and similar agreements between Member States and other countries.²

On the same date it also authorized the extension or automatic renewal of certain trade agreements between Member States and other countries for which the date for giving notice fell between 1 November 1985 and 31 January 1986 (fourth batch for 1985).³

Export credits

2.2.4. Under the OECD Arrangement on Guidelines for Officially Supported Export Credits ('Consensus')⁴ the automatic adjustment mechanism for minimum interest rates was implemented to bring the rate applicable from 15 January down by 1.05 percentage points.

2.2.5. At a meeting held on 23 and 24 January the participants in the Consensus reached agreement subject to confirmation on the sector agreement concerning export credits for civil aircraft. This agreement is to enter into force on 10 March, unless notification to the contrary is received in the mean time, and has yet to be adopted formally by the Council.

It will then supplement the agreement on wide-bodied jet aircraft reached between

the Community and the United States in June 1985.⁵ Under the two agreements, aircraft are divided into four categories and the use of tied aid credits for them is banned.

2.2.6. On 20 January the Council approved a decision on the position to be adopted by the Community in the negotiations now under way in OECD to review the system of commercial interest reference rates (CIRRs)⁶ under the Consensus.

**Sectoral commercial policy
measures**

Textiles

**Agreements and arrangements
with non-member countries**

MFA countries

2.2.7. Since the Community had not been able by 1 January to conclude the protocols adjusting bilateral agreements to take account of the accession of Spain and Portugal,⁷ on 14 January the Council adopted a Regulation making the importation into Spain and Portugal of textile products orig-

¹ OJ L 29, 4.2.1986.

² Bull. EC 12-1985, point 2.3.6.

³ Bull. EC 12-1985, point 2.3.7.

⁴ Bull. EC 10-1983, point 2.2.10.

⁵ Bull. EC 6-1985, point 2.3.3.

⁶ Bull. EC 12-1985, point 2.3.8.

⁷ Bull. EC 12-1985, point 2.3.10.

inating in non-member countries subject to quantitative limitations.¹

2.2.8. Consultations between the Community and India on adjusting the bilateral textile trade agreement following the accession of Spain and Portugal were held on 24 January. It was agreed to resume the consultations at a later date to allow time for further consideration of the trade data.

Relations with industrialized countries²

Quadripartite meeting

2.2.9. Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy, took part in an informal 'quadripartite' meeting with the United States, Japanese and Canadian Trade Ministers in San Diego, California, from 16 to 19 January. This 'quadripartite' format had been agreed at the Ottawa Summit in July 1981.³

The main topic on the agenda was the preparations for the new round of GATT multilateral negotiations. Mr De Clercq stressed the Community's strong feeling that the inaugural meeting of the new round should be held in Brussels.

Mr De Clercq also had separate talks with his opposite numbers — Mr Clayton Yeutter, the US Trade Representative, Mr Michio Watanabe, Japan's new Minister of International Trade and Industry, and Mr James Kelleher, Canada's Minister of International Trade.

Japan

Official visit by Mr Delors to Japan

2.2.10. Mr Jacques Delors paid an official visit to Japan from 20 to 24 January. He was received by His Majesty the Emperor and had talks with the Prime Minister, Mr Yasuhiro Nakasone, leading members of the Government and members of the Diet.

He also met representatives from Japanese and European business circles.

During his talks, Mr Delors broached a number of multilateral issues (preparations for the Western Economic Summit to be held in Tokyo in May) and the whole range of bilateral relations in all their commercial, industrial, financial, monetary and technological aspects. He stressed particularly the need for Japan to gear economic growth more closely to stronger home demand, a policy which should encourage imports of manufactures and processed agricultural products. He looked for more active industrial and technological cooperation between Community and Japanese firms and, to facilitate such a development, recommended a relaxation of the rules governing financial activities so as to assist European banks and financial institutions operating in Japan. Mr Delors concluded by proposing the establishment of a 'monitoring committee', comprising personal representatives of the Prime Minister of Japan and the President of the Commission, to be given interdepartmental authority and responsibility for monitoring the development of relations, evaluating them and recommending appropriate action.

2.2.11. In an address to the Japan National Press Club, Mr Delors called for far-reaching changes in the Japanese economic system, which would enable Japan to fulfil its international responsibilities.

Speaking to some 140 Japanese and foreign correspondents, Mr Delors also spoke of the need for courageous political decisions, even if they went against public opinion and pressure from lobbies, to resolve the bilateral problems between the Community and Japan.

Proposing the creation of a new 'monitoring committee' to keep a watchful eye on Japan's persistent trade surplus with the

¹ OJ L 26, 31.1.1986.

² For relations with the United States on steel, see point 2.1.20; for relations with the United States and Japan on scientific and technical cooperation, see point 2.1.31.

³ Bull. EC 7/8-1981, point 2.2.45.

Community, Mr Delors described his suggestion as not just another committee but a new and comprehensive approach to tackling a political problem.

As for the Community's requests for Japan to set an import target, Mr Delors said that what was important was the substance—the translation of political will into results. 'I have too much respect for the government of Japan', he said, 'to insist on one formula or another'. The President stated that he had linked bilateral and world problems for a simple reason: a common approach by Japan and the Community to world problems was necessary if the two were to share the burden of international responsibility with the United States. He also stressed that the third link in the Japan-US-Community triangle (namely relations between the Community and Japan) needed to be strengthened in order to give the industrialized countries a solid base for their relations with the rest of the world.

On bilateral relations, Mr Delors said that his talks in Japan had concentrated on four aspects:

The monetary situation. The Community was awaiting with interest the consequences of the revaluation of the yen, which had risen 20% against the dollar but only 3% against the ECU; consequently, there was still a monetary dimension to the issue of the competitiveness of European and Japanese firms.

Economic growth. For both Japan and Europe, a substantial rate of growth was a fundamental condition for solving the problems of other countries, and for this it was absolutely necessary for both the Community and Japan to stimulate growth.

The Community trade deficit with Japan. The limitation of exports from Japan was not the right answer: it would be contrary to free market principles and a barrier to technological progress. The real solution was an increase in domestic demand in Japan and greater imports of manufactures and processed agricultural products.

The difficulties encountered by European firms wishing to operate in or sell to Japan.

These were very great, which was why Mr Delors had proposed the creation of a 'monitoring committee' to evaluate results on both sides and help to open up the Japanese economy.

Answering questions, Mr Delors stressed that the United States must reduce its deficit and bring down the value of the dollar and interest rates, while Japan and the Community must stimulate growth. On the Community side, it was necessary to use the room for manoeuvre created by the success of the attack on inflation and other economic imbalances. If the Community Member States cooperated closely on the basis of the European Monetary System, they could increase growth by up to 1 percentage point a year and over six years reduce the level of unemployment by 40%. On the Japanese side, there were great possibilities for improving the welfare of the Japanese people, stimulating the construction industry, improving the quality of life and, if the Japanese wished, changing their consumption habits. It was not possible to promote Japan's international role, Mr Delors concluded, without fundamental change and a restructuring of Japan's economy.

Footwear

2.2.12. On 24 January the Community reached agreement with Japan on the introduction of a tariff quota for 1986 on imports into Japan of leather footwear, whatever its origin. Agreement was also reached on increased imports of such goods for sale on the Japanese market.

Electronic goods

2.2.13. Following a decision by the Council on 20 December,¹ the Community reached agreement with Japan on amendments to the CCT duties on certain electronic goods. This agreement, negotiated under GATT Article XXVIII, raises from 8% to 14% the CCT duties on video recorders and reduces or eliminates duties

¹ OJ L 351, 28.12.1985; Bull. EC 12-1985, point 2.3.13.

on a number of other electronic goods of concern to Japan.

2.2.14. On 17 January Parliament adopted two resolutions on European exports to Japan (→point 2.4.10).¹

European Free Trade Association²

Adaptation of Community-EFTA agreements following enlargement

2.2.15. In January the Commission continued its discussions with the EFTA countries. Mr De Clercq informed the Council on 27 January of the prospects of the discussions being successfully concluded with the next few weeks and of his intention to communicate the results of the negotiations at the February meeting.

Mr De Clercq recalled that the Council had decided in December not to amend the negotiating directives but to give the Commission the necessary flexibility to achieve a balanced and mutually acceptable overall agreement.³ This agreement is to replace, from 1 March 1986, the standstill arrangements applicable until that date.³

Finland

2.2.16. Mr Laine, Finland's Trade Minister, visited Mr De Clercq on 23 January to discuss the results of cooperating during the second half of 1985 and the outlook for 1986, in particular the preparations for the ministerial meeting between the Commission and the EFTA countries to be held at the beginning of June.

Norway

2.2.17. During his visit to Norway from 16 to 18 January, Mr Karl-Heinz Narjes, Member of the Commission with special responsibility for industrial affairs, research and science, held detailed talks with his official host Mr Thomassen, Norway's Minister for Industry. They agreed on the need for broader relations between the Community and Norway, particularly in

the light of the recent accession of Spain and Portugal.

Mr Thomassen expressed Norway's interest in increasing its investment in the Community and welcomed the greater opportunities for Norwegian participation in the Community's research and development programmes made possible as a result of the framework agreement for scientific and technical cooperation due to be signed shortly (→point 2.1.27).

Switzerland

2.2.18. Mr Willy De Clercq paid an official visit to Switzerland on 8 and 9 January.

The meeting was marked by the signing of the framework agreement for scientific and technical cooperation between Switzerland and the Community (→point 2.1.25). Discussions centred on reciprocal efforts to increase European cooperation in research and development.

The situation in the enlarged Community and world economic problems were also discussed, notably the new round of GATT multilateral trade negotiations and the debt situation.

Sweden

2.2.19. Mr Carlsson, Deputy Prime Minister of Sweden, visited the Commission on 13 January. In his capacity as Minister with responsibility for research and the environment, he held talks with Mr Narjes and with Mr Clinton Davis (Member of the Commission with special responsibility for the environment) on the opportunities for increasing cooperation in those areas.

During his visit, he and Mr De Clercq signed a framework agreement for scientific and technical cooperation (→ point 2.1.25).

¹ OJ C 36, 17.2.1986.

² For financial and technical cooperation with the EFTA countries, see points 2.1.25 to 2.1.27.

³ Bull. EC 12-1985, point 2.3.21.

Relations with other countries and regions

Mediterranean countries

Overall Mediterranean policy

2.2.20. Talks with Tunisia were resumed on 22 January as part of the second round of negotiations with Mediterranean non-member countries begun by the Commission in December,¹ aimed at adapting the cooperation and association agreements in the wake of Portuguese and Spanish accession.

2.2.21. A first round of negotiations for the same purpose with Yugoslavia began on 11 February. At the same time, Mr Cheysson held talks with Mr Baban, the Yugoslav Foreign Trade Minister.

San Marino

2.2.22. The Council decided on 28 January to authorize the Commission to open negotiations with a view to the conclusion of an agreement in the form of an exchange of letters between the Community and the Republic of San Marino.

This agreement would take into account San Marino's special position in that, although not a member of the Community, it is included in its customs territory and is totally surrounded by one of its Member States.

Asia

North Korea

2.2.23. On 17 January Parliament adopted a resolution on the Community's trade relations with the Democratic People's Republic of Korea (→ point 2.4.10).²

Latin America

EEC-Latin American dialogue

2.2.24. On 14 January Mr De Clercq, Member of the Commission with special

responsibility for external relations and trade policy, received on behalf of Mr Delors, at their request, the ambassadors of the Contadora Group countries (Colombia, Mexico, Panama and Venezuela) and of the Support Group countries (Argentina, Brazil, Peru and Uruguay), who handed over to him officially, on their governments' instructions, the 'Message for peace, security and democracy in Central America' which emerged from the meeting of their Foreign Ministers at Caraballeda, Venezuela, on 11 and 12 January.

This message sets out the basic conditions for ensuring peace in the Central American region and the measures required to bring this about.

Mr De Clercq welcomed this initiative by the governments of the countries concerned and reiterated the Commission's unqualified support for the Contadora peace process aimed at bringing stability to Central America.

2.2.25. On 17 January Parliament adopted a resolution on the political situation in South America (→ point 2.4.11).²

Guatemala

2.2.26. On 14 January Mr Cheysson, Member of the Commission with special responsibility for North-South relations, attended the ceremonies marking the inauguration of the new President of Guatemala. He took the opportunity to welcome on behalf of the Commission Guatemala's transition, after long years of military rule, to a civil administration under the presidency of Mr Vinicio Cerezo Arévalo. In Guatemala Mr Cheysson also had talks with representatives of Central American countries and the Contadora and Support Group countries.

Mexico

2.2.27. During a visit to Mexico from 15 to 17 January, Mr Cheysson had discussions

¹ Bull. EC 12-1985, point 2.3.23.

² OJ C 36, 17.2.1986.

with government figures, notably President Miguel de la Madrid Hurtado and members of his cabinet. Cooperation to date under the Community's Agreement with Mexico¹ was reviewed, the prospects for the future development of the Mexican economy were examined and views were exchanged on the debt problem, particularly in the light of Mr Baker's statements at the IMF/World Bank meetings in Seoul.²

Development

North-South relations

Cooperation via international bodies

Group on North-South Economic Issues

2.2.28. The OECD Group on North-South Economic Issues met on 21 January to review the state of the North-South Dialogue and issues and approaches in the period ahead in economic relations between developed and developing countries. It was generally considered that the Dialogue had now entered a more pragmatic phase with a realistic approach being adopted by the developing countries. However, the issues had in some ways become less tractable because they were now directly related to issues of macroeconomic policy management in the world. The Community made a statement commenting on some priority areas in international economic discussions. This statement included a reference to the need to maintain the momentum of the Baker initiative on developing country debt.³

Commodities and world agreements

Coffee

2.2.29. The Executive Board of the International Coffee Organization met in London from 20 to 24 January.

At the close of the meeting Mr Beltrão, the Executive Director, acceding to the recommendations of the consumers as expressed by their spokesman, Mr Van Overbeeke, proposed for adoption a draft Regulation (620 Rev. 1) submitted by the consumers' group on the application of a system of certificates of origin where quotas have been suspended.

The producers said that they were resigned to agreeing to some such regulation which would eliminate all controls by importers, who would be obliged only to send the Organization the certificates of origin submitted and would be requested to cooperate fully with it.

Grounded in the 1983 Agreement,⁴ the new regulation—which conforms with the starting position taken up by the Community—was adopted at the plenary session chaired by Mr Thomas (UK), due account being taken of the need to ensure the rapid supply of the market. It will take effect as soon as quotas are suspended on 19 February.

The Executive Board and the Council are due to meet from 21 April to 2 May.

Campaign against hunger in the world

2.2.30. In January the Commission signed financing agreements under the rehabilitation and revival plan for the African countries most affected by drought and sent the Council and Parliament a communication formulating a plan of campaign for desertification control (→point 1.3.1 *et seq.*).

Food aid

Annual programme

2.2.31. On 27 January the Council, having received the opinion of Parliament,⁵ laid

¹ Ninth General Report, point 498.

² Bull. EC 10-1985, point 2.1.7; Bull. EC 12-1985, point 2.3.35 (footnote).

³ Bull. EC 12-1985, point 2.3.35 (footnote).

⁴ Bull. EC 6-1983, point 2.2.58; Bull. EC 9-1983, point 2.2.33.

⁵ OJ C 36, 17.2.1986.

down¹ the implementing rules for 1986 for the 1982 Regulation² on food aid policy and food aid management. The Commission's proposals were presented last September³ and amended on 10 January.⁴

The quantities of products to be made available as food aid in 1986 to developing countries and certain organizations are as follows:

- (i) cereals: a first instalment of 927 700 tonnes; a second instalment of up to 232 300 tonnes;
- (ii) milk powder: up to 94 100 tonnes;
- (iii) butteroil: up to 27 300 tonnes;
- (iv) sugar: up to 3 900 tonnes;
- (v) vegetable oil (seed oil and olive oil): up to 8 600 tonnes;
- (vi) other products: up to 121 824 tonnes cereal equivalent;
- (vii) food aid in the form of the abovementioned products to cover emergency food shortages, up to 386 700 tonnes cereal equivalent.

Emergency aid

Mozambique

2.2.32. On 2 January the Commission decided to allocate 12 000 tonnes of cereals as emergency food aid to Mozambique, which is experiencing continuing food shortages.

Stabex

2.2.33. Following the Commission's decision on the last Stabex transfers for the 1984 application year,⁵ the final year of the second ACP-EEC Convention, it was possible to establish that the amount left over from the Stabex appropriation for this Convention was 127 180 016 ECU.

The Council had already decided last June on the principles to govern the distribution of this amount, which is to be reserved for the payment of an additional share of claims

submitted for the 1980 and 1981 application years which had not been covered in full.

On 22 January the Commission presented a communication to both sides setting out a distribution formula designed to favour the least-developed ACP States and specifying the amounts to be apportioned.⁶

At the same time the Commission sent both sides a communication⁷ on the requests submitted by 12 ACP States under the 'all destinations' derogation referred to in Article 150(3) of the third Lomé Convention.⁸ In it the Commission recommends, both on legal grounds and in order to safeguard the financial equilibrium of the system, that the derogation should not be accorded to Guyana, Mauritius, Sudan, Tanzania and Uganda. It had rejected the application from Benin, Burkina Faso, Fiji, Mali, Niger, Sao Tome and Principe and Togo last May.

Financial and technical cooperation

ACP States and OCTs

EDF financing decisions

2.2.34. In January the Commission took decisions involving the allocation of fourth and fifth EDF resources totalling 162 348 000 ECU to finance projects, programmes and emergency aid which it administers (see table 10).

¹ OJ L 29, 4.2.1986.

² OJ L 352, 14.12.1982.

³ OJ C 250, 2.10.1985; Bull. EC 9-1985, point 2.3.20.

⁴ COM(85) 857 final.

⁵ Bull. EC 12-1985, point 2.3.51; Bull. EC 11-1985, point 2.3.32.

⁶ COM(85) 835 final.

⁷ COM(85) 804 final.

⁸ See the Community declaration in Annex XLIII to the Final Act of the third ACP-EEC Convention.

Table 10 — *Financing of fourth and fifth EDF operations*

<i>(Million ECU)</i>			
	Project	Grants	Loans
<i>Rural production</i>			
All ACP	Campaign against rinderpest (total of 50 million ECU agreed in principle)	25.000	
Member countries of CILSS ¹	Technical assistance for CILSS executive secretariat	0.170	
Sierra Leone	Hydro-agricultural improvement	6.000	
Zimbabwe	Fruit and vegetable crop development	0.625	2.275
All ACP	1986 budget of Technical Centre for Agricultural and Rural Cooperation	2.436	
<i>Economic infrastructure</i>			
Congo and Central African Republic	Ports and waterways	3.300	
<i>Industrialization</i>			
All ACP	1986 rural development budget	1.542	
<i>Other</i>			
Cameroon, Ghana, Ivory Coast, Mauritius, Senegal and Zaire	Consolidation of scientific and technical capacities in food and nutrition sectors in Africa	1.500	
Chad, Ethiopia, Mali, Mauritania, Niger and Sudan	Rehabilitation and revival plan for countries most affected by drought	100.000	
<i>Emergency aid</i>			
Ethiopia and Sudan	Fight against drought	19.500	
Total		160.073	2.275

¹ Permanent Inter-State Committee for Drought Control in the Sahel.

Cooperation via non-governmental organizations

2.2.35. In the period 1 to 31 January 1986 the Commission committed 2.2 million ECU for the cofinancing in developing countries of 17 projects presented by 16 NGOs.

The Commission also contributed 132 420 ECU to three campaigns to increase European public awareness of development issues.

Institutions

ACP-EEC

ACP-EEC Joint Assembly

2.2.36. The ACP-EEC Joint Assembly held its first meeting of 1986 in Swaziland from 27 to 30 January. Mr Natali, Vice-President of the Commission with special responsibility for cooperation and development, was present and the co-chairmen were the Presidents of the EEC and ACP Councils.

The main focus of attention—given the timing and location of the meeting—was the situation in South Africa and its effects on neighbouring ACP countries. It had been intended, in line with a resolution adopted at the last meeting of the Assembly,¹ to hold a hearing with all the parties involved in the problems of southern Africa, but the hostility of the ACP countries and a small group of European parliamentarians to any participation by representatives of the South African régime—even unofficial ones—caused this project to be abandoned. This led to some heated exchanges. The Assembly did, however, pass a new resolution along the same lines as the previous one, calling for increased pressure on South Africa and more aid for the neighbouring countries.

An introductory outline of the 1986 general report on cooperation under the Lomé Convention and its future prospects was provided by the rapporteur, Mr Jackson. This was followed by comments and reflections from Mr Natali and a preliminary debate. This debate will be concluded on the basis of the full report and a general resolution will be passed at the next meeting of the Assembly, which is due to take place in Greece at the end of September.

2.2.37. On 17 January Parliament adopted a resolution on the results of the work of the work of the ACP-EEC Joint Committee and Joint Assembly, which met in February and September 1985 respectively (→ point 2.4.10).²

International organizations and conferences

Council of Europe

2.2.38. The Parliamentary Assembly of the Council of Europe met in Strasbourg

from 27 to 31 January. This winter session was the first since the Member States of the Community, following the accession of Spain and Portugal, had become the majority group within the organization. In this context Mr Peter Barry, Chairman of the Committee of Ministers, announced that the Committee was more resolved than ever to strengthen the part played by the Council of Europe in building Europe.

Two projects are already being mounted which will involve close cooperation with the Community. They concern the organization throughout Europe in 1987-88 of a campaign on the theme of the rural world and an information campaign in 1987 on the subject of North-South interdependence.

Delegates also adopted two recommendations concerning scientific and technological cooperation in Europe and cooperation between universities in Europe and Latin America.

Lastly, the agenda also contained a number of items dealing with matters of acute topical interest, namely the food crisis in Africa and issues involving the Middle East (the Palestinian question, Lebanon and terrorism). As the first Arab leader invited to address the Assembly, Mr Hosni Mubarak, President of Egypt, called upon his audience to see that Europe played a more active part in the peace process in the Middle East.

*

2.2.39. The OECD Group on North-South Economic Issues met on 21 January (→ point 2.2.28).

¹ Bull. EC 9-1985, points 2.3.30 and 2.3.31.

² OJ C 36, 17.2.1986.

3. Financing Community activities

Financial operations

ECSC

Loans paid out

2.3.1. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission made the following loans in January, totalling 108.153 million ECU.

Industrial loans

2.3.2. Industrial loans (Article 54) paid out during the month amounted to 107.4 million ECU. They were allocated to the following projects:

France

Solmer: Construction of a second continuous casting unit; improvements to and automation of a hot-rolled wide strip mill.

Ugine-Aciers: Construction of an AOD converter; construction of a continuous slab-casting plant; replacement of the bar mill and wire mill by a mixed stainless steel mill.

Usinor: Reinforcement of a plate mill; restoration and modernization of a blast furnace; renovation of an LD steel mill.

Sollac: Renovation of a wide strip mill; construction of a cold-rolled wide strip mill to replace two obsolete mills.

Trefilunion: Modernization of pickling, drawing and wire-mill plant.

Subsidized housing

2.3.3. Loans for the building of subsidized housing for ECSC workers amounted to 753 000 ECU.

EEC — balance of payments

Loans raised

2.3.4. In January the Commission made three public issues on behalf of the Com-

munity to cover the first instalment of the Community loan to support Greece's balance of payments which was agreed in November (→ point 2.1.3).

The first issue was for 350 million ECU for seven years, issued at par. The interest rate will be 1/32 over the three-months Libor for ECU.

The second involves a five-year USD 150 million loan at an interest rate of 8 5/8% and an issue price of 100 1/8. An equivalent variable-interest-rate swap has been arranged, allowing a substantial saving compared with Libor.

The third issue involves a six-year DM 500 million loan with a variable interest rate (six-months Libor) and an issue price of 100%

*

Completion of pre-accession aid to Portugal

2.3.5. On 20 January the Commission and the Portuguese Government signed eight financing agreements for 9.97 million ECU under the agreement of 7 November 1984 on specific (pre-accession) financial aid for improving agricultural and fisheries structures in Portugal.¹

The various projects and programmes meet the agreement's objectives as regards the establishment of the services and infrastructures required for the smooth operation of market organizations in agriculture and fisheries, the improvement of production structures, particularly in those sectors in deficit in Portugal, the provision of the necessary means to develop research and the improvement of production in the food sector.

These are the first grants to be made out of the 50 million ECU available under this pre-accession scheme, which was originally due to expire on 31 December 1985 but was extended by the Community by way of exception until 31 December 1986.²

¹ OJ L 333, 21.12.1984; Bull. EC 12-1984, point 2.2.2.

² Bull. EC 12-1985, point 2.2.3.

4. Political and institutional matters

European political cooperation

2.4.1. On 27 January in Brussels the Foreign Ministers of the Twelve issued the following statement on combating international terrorism.

'1. The Twelve reaffirm their strong condemnation of the recent terrorist attacks at Rome and Vienna airports, which are the latest outrages in the persistent phenomenon of international terrorism. They deeply deplore the loss of innocent lives. The Twelve condemn all forms of international terrorism, the perpetrators, accomplices and instigators as well as governments that support them. They condemn statements emanating from any quarter expressing support for terrorist attacks. Such terrorist attacks can never be justified and do not serve whatever political cause the perpetrators claim to be assisting.

2. The Twelve express their strong concern about the tension that has developed in the Mediterranean. They reaffirm their support for urgent progress in the search for a just, lasting and comprehensive solution by peaceful means of the problems of the region and their readiness to play a part in efforts towards that end. The Twelve express the wish to cooperate with all States, including those in the region, to deny terrorists support, cover or refuge.

They are ready to embark on a dialogue in the most appropriate manner with the countries of the region on the problem of international terrorism and the need to tackle its roots.

States that favour or protect terrorists cannot expect indulgence nor can they expect to have normal relations with the Twelve.

The Twelve will study in what way they can jointly clarify responsibilities for terrorist acts. They call upon all countries which are supporting or have been accused of supporting terrorism to renounce such support.

3. The Twelve welcome the strong and unequivocal condemnation of all acts of international terrorism recently expressed by the Security Council and the General Assembly of the United Nations.

4. The Twelve reiterate their determination and commitment to combat international terrorism in all its forms. They have reviewed and increased their security arrangements and cooperation in an effort to prevent further terrorist acts. In this respect they welcome and fully support the resolu-

tion of the European Parliament of 16 January 1986 in which the representatives of the European peoples condemned in the strongest terms these barbaric acts of terrorism and asked Ministers to step up consultations and cooperation on anti-terrorist measures and public security.

5. The Twelve recall their previous decisions and efforts to curb these outrages, in particular:

- (i) the agreement of September 1984 on a set of principles to increase cooperation against international terrorism, including the need for a joint response in the event of a serious terrorist attack involving the abuse of diplomatic immunity;
- (ii) the recommendations dealing with the hijacking of aircraft adopted by the Ministers of the Interior and Justice in June 1985;
- (iii) the decision of July 1985 to increase cooperation on aviation security.

Experts of the Twelve have continued to meet on numerous occasions during the last months so strengthen their cooperation and to elaborate common measures.

6. The Twelve have now decided to intensify these efforts and to promote common action, particularly in the following areas, both to improve their own defences against terrorism and to discourage those who support it:

- (i) security at airports, ports and railway stations,
- (ii) control by Member States of persons entering or leaving the Community and circulating in it,
- (iii) visa policies with respect to the problem of terrorism,
- (iv) abuse of diplomatic immunity.

They have decided to establish a permanent working body with a precise mandate, within the European Political Cooperation, which will monitor and give impetus to the implementation of the abovementioned measures.

7. Furthermore, in addition to restrictions they already apply the Twelve decided not to export arms or other military equipment to countries which are clearly implicated in supporting terrorism.

The Twelve have, in addition, decided to examine jointly with special care national measures designed to prevent the export of arms or other military equipment from being diverted for terrorist purposes.

8. The Twelve will do everything within their power in order to avoid their nationals and industry seeking any commercial advantage from measures in reaction to terrorist attacks and other terrorist activities.

9. The Twelve will keep the problems of international terrorism under constant review and take appropriate additional measures whenever the situation requires it.'

2.4.2. On 20 January the Twelve published the following statement on the meeting of the Foreign Ministers of the Contadora countries¹ and the Support Group countries² at Caraballeda, Venezuela, on 11 and 12 January:

'The Twelve welcome the new impetus given to the Contadora peace progress by the meeting of Ministers of Foreign Affairs of the Contadora countries and its support group at Caraballeda, Venezuela, on 11 and 12 January 1986.

They welcome in particular the endorsement given to the principles and objectives agreed at Caraballeda by the five Central American countries, meeting in Guatemala on 14 January 1986, in a joint declaration which reiterated the five countries' desire to achieve peace and stability in Central America.

The "Message of Caraballeda on peace, security and democracy in Central America" confirms once again the balanced and comprehensive approach of the Contadora efforts in promoting a negotiated settlement of the conflicts in Central America.

The Twelve welcome the fact that the message of Caraballeda contains concrete steps and measures designed to generate a climate of confidence and to further the negotiating progress.

The Twelve note that the countries of the Contadora group and its support group are offering their good offices to promote actions which they consider of vital importance for the achievement of peace, security and democracy in Central America. As at the Luxembourg ministerial meeting in November 1985,³ the Twelve reiterate their continued wholehearted support for the Contadora peace initiatives and they express their willingness, if called upon, to provide appropriate assistance to those involved in these efforts.'

2.4.3. On 24 January the Presidency (held by the Netherlands for the first half of 1986) published the following statement by the Twelve on the elections planned in Sudan:

'The Twelve welcome the announcement by the Transitional Military Council and the Council of Ministers of a timetable for general elections to be held in the Republic of Sudan in April 1986. They view the holding of these elections as a concrete step towards a return to democracy, to which aim the Sudanese Government pledged itself when taking over power in April 1985.

The Twelve express the hope that the elections will be preceded by negotiations designed to lead to national reconciliation.'

European policy and relations between the institutions

European policy

Institutional reform

2.4.4. The Intergovernmental Conference, set up for the purpose of amending the EEC Treaty and drafting a treaty on a common foreign and security policy, held its last three meetings on 22, 24 and 27 January. On 27 January it reached agreement on the text of the Single European Act (→ point 1.2.3).

2.4.5. On 16 January Parliament adopted a resolution on the outcome of the work of the Intergovernmental Conference at its 16 and 17 December meeting (→ points 1.2.1 and 1.2.2).⁴

Relations between the institutions

Procedures for the exercise of implementing powers conferred on the Commission by Council acts

2.4.6. On 29 January the Commission adopted, for transmission to the Council and, for information, to Parliament, a proposal for a Regulation laying down the rules

¹ Colombia, Mexico, Panama and Venezuela.

² Argentina, Brazil, Peru and Uruguay.

³ Bull. EC 11-1985, point 1.2.1 *et seq.*

⁴ OJ C 36, 17.2.1986.

by which the Council confers implementing powers on the Commission.¹

The Single European Act² includes an amendment to Article 145 of the EEC Treaty whereby:

- (i) save in exceptional circumstances, the Council would confer powers of implementation on the Commission in all cases;
- (ii) the Council could impose certain requirements in respect of the exercise of these powers;
- (iii) these requirements would be consonant with rules to be laid down in advance by the Council, acting unanimously on a proposal from the Commission and after obtaining the opinion of Parliament.

At its meeting of 16 and 17 December the Intergovernmental Conference had adopted a declaration asking the institutions to adopt these rules before the amendments to the Treaty entered into force.³ This is the purpose of the proposal which the Commission has just adopted. It gives the Council a choice between three well-established variants: the consultative committee procedure, the management committee procedure and the regulatory committee procedure. It should be noted that the Conference in its declaration had asked the Council to give priority to the consultative committee procedure.

Institutions and organs of the Communities

Parliament⁴

Strasbourg: 13 to 17 January

2.4.7. The agenda for the January part-session included many items to which Parliament attaches special importance: the outcome of the Intergovernmental Conference meeting on 16 and 17 December (→ points 1.2.1 and 1.2.2) and the results of the Luxembourg European Council, the

White Paper on completing the internal market, standardization in the fields of information technology and telecommunications and reform of the common agricultural policy.

The debate on agriculture did not produce an opinion on the Green Paper⁵ mainly because of the deep divisions it revealed but also as a result of certain misgivings concerning the Commission's views.

Mr H. Van den Broek, Dutch Foreign Minister and current President of the Council, made the customary presentation of the programme for the Netherlands' six-month term in the Council chair (→ point 3.4.1).

This part-session was also marked by the arrival of 60 members from Spain and 24 from Portugal (→ point 1.1.2). Welcoming them, Mr Pierre Pflimlin recalled that enlargement had become a political imperative, a consideration that had finally overridden any others, and appealed to the sense of solidarity which had to prevail everywhere over the temptations of national egoism if the integration of the economies of two new Member States was to be fully successful. Parliament was there to propose solutions for the common good of Europe.

Green Paper on the future of the common agricultural policy

2.4.8. The need to reform the common agricultural policy, to which the Commission drew attention, was accepted by all, declared Mr Teun Tolman (*EPP/NL*), Chairman of the Committee on Agriculture and rapporteur. It was also common ground that the CAP had benefited the north of the Community more than the south and big

¹ COM(86) 35 final.

² Supplement 2/86 — Bull. EC.

³ Bull. EC 12-1985, point 1.1.3.

⁴ The complete texts of the resolutions adopted by Parliament are reproduced in OJ C 36, 17.2.1986, and the report of the proceedings is contained in OJ Annex 2-334. 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).

⁵ Bull. EC 7/8-1985, point 1.2.1 *et seq.*

farmers more than small. It was on approaches to reform that opinions diverged. Faced with the choice between a policy based on quotas and one responding to the needs of the market, the rapporteur unequivocally opted for the second solution, provided it was backed by a more active export policy. But in any event, he concluded, whichever option was chosen, the CAP would cost money since it was still the Community's leading policy and could not be judged solely in budgetary terms.

The statements by the draftsmen of opinions differed more sharply. For the Committee on Budgets, Mrs Magdalene Hoff (*Soc/D*) blamed the CAP for every evil: it was uneconomic, anti-social, sometimes anti-ecological, injurious to our relations with other countries and, above all, impossible to finance. Mrs Caroline Jackson (*ED/UK*), on behalf of the Committee on Development and Cooperation, came out clearly in favour of a quotas policy, particularly for cereals. Mr Tom O' Donnell (*EPP/IRL*), for the Committee on Regional Policy and Regional Planning, and Mr Gerardo Gai-bisso (*Epp/I*), for the Committee on Social Affairs and Employment, complained that the CAP took too little account of varying regional situations. Only Mr Aldo Bonaccini (*Com/I*), for the Economic and Monetary Affairs Committee, endorsed the Commission's Green Paper.

Speaking for the Commission, Mr Andriessen, Vice-President with special responsibility for agriculture, again emphasized the imperative need for reforms that did not consider the CAP in isolation but offered a long-term vision of all the issues involved. On the strengthening of Community preference, he felt that in return the Community should make concessions on other products covered by GATT. In contrast, during the debate that followed, Mr André Fanton (*EDA/F*) regretted that the Community was nowhere evolving a dynamic commercial policy. Its waverings in 1985 had simply swollen existing stocks and left the field wide open to foreign competition.

The Council President, Mr Braks, Dutch Minister of Agriculture, highlighted the changing background to the CAP, which had eventually turned the Community into a net exporter in a world where, in terms of quantity, the food requirements of the entire population were theoretically covered.

At the end of the debates, the Tolman report, with several amendments, was rejected by 168 votes to 114 with 56 abstentions. There was no doubt that for the EPP group and for the rapporteur, Mr Teun Tolman, in particular, these amendments had distorted his original report. Mr Tolman, in fact, voted against it, taking the whole of his group with him. Several of the amendments, tabled mainly by two members of the Socialist Group, Mr Eisso Woltjer (NL) and Mr Natalino Gatti (I), but also by the European Democrats and the Committee on Budgets, had substantially altered its content; the amendments adopted required: the alignment of Community prices on world prices, a moderate pricing policy, a 75:25 ratio between the EAGGF Guarantee and EAGGF Guidance Sections and an agreement between the main producer countries on limiting export subsidies. Moreover, the amended version no longer spoke of an active 'export refund' policy but simply of an 'active export policy'.

Another reason for rejection of the Tolman report as amended was that members of the European Democratic Group and the British Socialists abstained in the final division, despite the success of several amendments which fell in with their wishes.

An analysis of the vote on the Tolman report shows:

- (i) against: the EPP (except two Italians), the EDA, the European Right, the Liberals (except eight members), the French, Greek and Belgian Socialists and the French Communists;
- (ii) for: the German, Dutch, Spanish and Portuguese Socialists, the Italian Communists, eight Liberals (Dutch, Belgian, Dan-

ish, Portuguese), one European Democrat and one non-affiliated member;

(iii) abstained: the European Democratic Group, the British Socialists and two German EPP members.

During the explanations of vote, Mr François Musso (*EDA/F*) declared that his group would be voting against the report so as not to abet the dismantling of the CAP and not to be party to an exercise which turned its back on security of supply and flouted Community preference to the advantage of countries which 'were not playing fair with us'. Mr Pino Romualdi (*ER/I*) said that he too would vote against the amended report. So did Mr François Roelants du Vivier (*Rainbow/B*) and Mr Thomas Maher (*Lib/IRL*), contending that the basic problems had not been dealt with, a feeling shared by Mr John Marshall (*ED/UK*). Mr. Pierre-Benjamin Pranchère (*Com/F*) had no time for a report which proposed an unacceptable price policy, jeopardized export refunds and sacrificed the farmers. The rapporteur said that, as a result of the amendments adopted, particularly with regard to cereals policy and the withdrawal of land from agricultural use, he could no longer put his name to his own report and would therefore vote against it.

2.4.9. Parliament gave opinions on the following Commission proposals:

(i) a recommendation on fire safety in existing hotels (→ point 2.1.11);

(ii) a recommendation and four Directives on the approximation of the laws of the Member States on high-technology medicinal products, particularly those derived from biotechnology (→ 2.1.12);

(iii) two Directives: one relating to standardization in the field of information technology and telecommunications, the other concerning the first phase of the establishment of the mutual recognition of type approval for telecommunications terminal equipment (→ point 2.1.38);

(iv) a 16th Directive on a common scheme for certain goods on which VAT has been finally paid and which are imported by a

final consumer in one Member State from another Member State (→ point 2.1.59);

(v) two Directives, the first laying down certain rules concerning indirect taxes on the consumption of alcoholic drinks and the second concerning the harmonization of excise duties on fortified wine and similar products (→ point 2.1.60);

(vi) a Directive on specific training in general medical practice (→ point 2.1.75);

(vii) an amendment to the Directive on the supervision and control within the Community of the transfrontier shipment of hazardous waste (→ point 2.1.87);

(viii) two amendments to Regulations on the common organization of the market in cereals and in rice (→ point 2.1.102);

(ix) a Regulation and an amendment to a Regulation laying down implementing rules for the 1982 Regulation on food aid management and food aid policy (→ point 2.2.31).

2.4.10. Parliament also passed resolutions on the following subjects:

*The White Paper on completing the internal market.*¹ Welcoming this Commission initiative as a realistic programme, Parliament emphasized that it must be implemented as a whole in order to ensure the cohesion of the Community economy and be accompanied by political measures to offset the adverse effects of these measures — particularly on the regional and social side — on the less-developed economies. Having urged the Council to improve its decision-making procedures in this field, the House asked the Commission to present an annual report to Parliament on implementation of the White Paper.

*A Community patents convention.*² Emphasizing the need for a patents convention in establishing the internal European market, Parliament welcomed the solutions to legal disputes over Community patents agreed on by the Luxembourg conference

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

² OJ L 17, 26.1.1976.

of December 1985.¹ It was essential that those Member States which had already ratified the 1975 Community Patents Convention bring it into effect; those which had not yet ratified it were urged to do so as soon as possible so as to maintain the competitiveness of Community firms on the world market.

The European helicopter industry. Parliament believed that the Community's security required the European pillar of the Atlantic Alliance to be strong. It therefore stressed the need for Europe to have a high-technology industry, mainly in order to secure greater independence from American control and to safeguard employment. The House felt that an association of Westland, the British helicopter manufacturer, with Europe's main competitor ran counter to these objectives and therefore supported an effective European solution for Westland's capital reconstruction.

The European Communities' data-processing equipment policy. Parliament stressed the influence that this policy could have in the operations of European manufacturers and on greater hardware and software compatibility, thus putting the industry on a competitive footing in an area of strategic importance to Europe's economic future. The House also noted that data-processing equipment added to the resources available to the institutions, in particular the Commission, for the performance of their tasks (budget estimates, management and control, fraud detection, trade information). The Commission was therefore asked to draw up a proposal requiring each institution, before acquiring any computing equipment, to make a detailed cost-benefit analysis.

Child abuse. Parliament called for introduction by the Member States of a package of complementary educational, social, political and cultural measures enlisting the help of the media to prevent physical and sexual child abuse, to combat the passivity of outside parties (neighbours, acquaintances) and eliminate child prostitution. The Commission and the Council were asked to make

a comparative analysis of existing national laws on the subject and to make the public more aware of the problem through the media and local authorities.

The rise of racism and Fascism in Europe. In two resolutions Parliament expressed the wish to be associated with the drafting of the joint declaration by the three institutions concerning 'the attitudes and movements inspired by racism and xenophobia'. The House welcomed the broad consensus achieved in the committee of inquiry and called on its Enlarged Bureau to publish the committee's report.

The potential for developing less-favoured regions of the Community by attracting new residents, especially from among the elderly, and long-term visitors on health cures. Parliament believed that residential facilities for the elderly or those visiting health resorts could provide opportunities for economic development and jobs in less-favoured regions. It therefore asked the Commission to study the possible participation of the Community's structural Funds in financing such facilities and called on the European Investment Bank to consider what contribution it might make. At the same time the Council was asked to liberalize capital markets in the Community to encourage this type of investment.

Budgetary control problems in the olive-oil sector. Concerned about the flaws discovered by the Court of Auditors in the production aid system, Parliament asked the Commission to simplify the arrangements and improve management, with the suggestion that remote sensing be used to improve estimates of and checks on production. The Commission was also asked to study the effectiveness of consumption aid.

Budgetary control aspects of the common organization of the market in sheepmeat. Parliament pointed out that the continuing differences in prices and the two systems of marked management provided for in the Regulation on market organization in this

¹ Bull. EC 12-1985, point 2.1.22.

sector were benefiting only one Member State. This was true also of the increasing financial cost of this market organization and the maintenance of existing import mechanisms. The House called for the gradual elimination of these disparities and, pending introduction of a single system, asked for all Community producers to be allowed to benefit from either of the two systems currently in operation. The Commission was also urged to eliminate opportunities for illegal traffic.

A fixed link across the Channel. Parliament believed that such a link would encourage closer cooperation and better economic development in the Community.

European exports to Japan. In one resolution Parliament expressed its deep concern at the refusal of the Japanese authorities to set verifiable import targets and called on the Commission to make a formal proposal to the Council for retaliatory measures in accordance with GATT rules. In a second resolution the House, having stressed that, apart from certain very competitive key sectors, much of the Japanese economy remained relatively backward but largely immune from international competition, urged the Commission to study the possibility of setting up a Community industrial promotion centre to facilitate investments in Japan by Community firms.

Trade relations with North Korea. While regretting the continued abuse of human rights in North Korea, Parliament believed that the Community should support any moves which might help to improve its trading relations with that country, through various measures including joint ventures and counter-trade. The House nevertheless imposed certain conditions: any initiatives in this direction must come from North Korea, the Government of North Korea must affirm its willingness to settle its foreign debts, and trade relations with South Korea must not suffer as a result of such initiatives.

Results of the work of the ACP-EEC Joint Committee and Joint Assembly. Having again attacked the inadequacy of the appro-

priations for Lomé III and stressed the importance of the role of women in the development process, Parliament welcomed the work done by the Joint Committee and the Joint Assembly.

The Single Act approved by the Intergovernmental Conference (→ point 1.2.3).

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

The political situation in South America. Noting that three countries (Chile, Paraguay and Suriname) remained aloof from the process of democratization, Parliament called for acceptance of the offers made by the Church and other institutions to mediate in the initiation of national dialogues, unconditional respect for human rights and an end to State repression. At the same time, the House condemned all forms of terrorism or guerilla activity such as the Sendero Luminoso in Peru, which represented a constant threat to democracy and the rule of law. Expecting that Spain and Portugal would help to consolidate relations between the Community and Latin America, Parliament urged support for all efforts towards regional integration and political cooperation currently in progress.

The kidnapping and murder of hostages in Lebanon. Parliament voiced its grave anxiety over the fate of six prominent members of the Jewish community in Beirut who were kidnapped in that city, of whom two were subsequently murdered. The Lebanese Government was urged to do its utmost to bring about the release of all Jewish hostages and the citizens of Member States and other countries also being held hostage, whose lives were equally in danger.

The terrorist attacks at Rome and Vienna airports. Appalled by these barbaric and senseless outrages, Parliament reiterated its strong condemnation of such acts of terrorism but doubted the effectiveness of economic sanctions and stressed the dangers of military intervention. It called on the Ministers for Internal Affairs of the Member States to coordinate security measures, par-

ticularly at airports, and to seek the cooperation of the Arab countries in fighting terrorism.

The detention in Zaire of a member of the temporary staff of the European Communities. Noting the poor state of health of Mr Ronald Van den Bogaert, an official of the Socialist Group in the European Parliament, sentenced to 10 years' imprisonment by the State Security Court of Zaire, Parliament asked its President to renew his representations to the Zairean authorities and the Belgian Government for Mr Van den Bogaert's early release.

Abolition of the death penalty and accession to the Sixth Protocol to the Convention for the Protection of Human Rights and Fundamental Freedoms. Regretting that two Member States, Ireland and the United Kingdom, had not yet, as at 25 October 1985, acceded to the Protocol on the abolition of the death penalty for offences committed in peacetime, the House expressed its misgivings over the delays in ratification by other Member States but nevertheless welcomed the changes in attitude reflected by their accession to the Protocol.

Compensation for persons formerly employed as slave labour in German industry. In a first resolution Parliament expressed its concern over rulings in German civil courts dismissing the rights and claims of the victims of Fascism, including workers in German industry — in particular with the Flick group — although these were acknowledged at the Nuremberg trials. The German firms were urged to compensate not only their former slave labour but also the ethnic minorities, such as the Sinti and Roma. A second resolution called on the Deutsche Bank, the new owner of the Flick group, to pay compensation to all the slave labour of that group, as certain German firms (AEG, Siemens and Rheinmetall) had done under the pressure of public opinion.

Council

2.4.12. The Council held three meetings in January. The table below lists the number, place and date of each meeting, the names of the Council President and Commission representatives and the main items of business. A more detailed account of specific items can be found in the sections of the Bulletin referred to in the footnotes.

Table 11 — Council meetings in January

Number, place and date of meeting	Subject	President	Commission	Main items of business
1058th Brussels 20 January	Economic and financial affairs	Mr Ruding	Lord Cockfield Mr De Clercq	Elimination of tax frontiers ¹ Export credits — CIRRS ²
1059th Brussels 20 and 21 January	Agriculture	Mr Braks	Mr Andriessen	Adjustment of common organization of markets in cereals and beef/veal sectors ³ Transfer of common wheat Beef/veal ³ Sugar ³ Starch Sugar used in chemical industry Rationalization and improvement of health conditions in slaughterhouses in Belgium

Table 11 (Continued)

Number, place and date of meeting	Subject	President	Commission	Main items of business
1060th Brussels 27 January	Foreign affairs	Mr Van den Broek	Mr Delors Mr Cheysson Mr De Clercq	Agricultural structures Harmonization in agricultural and foodstuffs sectors Relations with United States: Steel ⁴ Relations with EFTA countries ⁴ Textiles: Renewal of MFA and bilateral textile agreements

¹ Internal market and industrial affairs.

² Commercial policy.

³ Agriculture.

⁴ Industrialized countries.

Commission

Activities

2.4.13. The Commission approved the new allocation of portfolios¹ following the arrival of its new Spanish and Portuguese Members: Mr Marin, Vice-President, Mr Cardoso e Cunha and Mr Matutes. It also held a preliminary general discussion of the situation in the Community and the approach to be adopted in 1986. Following this discussion, it received Mr Van den Broek, the Dutch Minister of Foreign Affairs and President of the Council for the first half of the year, and Mr Van Eekelen, the State Secretary. Broad agreement was reached on the priorities to be pursued by the Council.

Decisions, communications and proposals

2.4.14. In June 1985 the Milan European Council asked the Commission to draw up a European plan of action to combat desertification in Africa. As the Community's response to Africa's underlying long-term problems, the Commission sent the Council a plan of action taking account of all aspects of the phenomenon (→point 1.3.3 *et seq.*).

In a resolution adopted on 10 April 1984 the Council called upon the Commission to make proposals for Community action in

the field of tourism. The Commission adopted a communication setting out the objectives and scope of the Community measures, and presented the first series of concrete proposals (→point 1.4.1 *et seq.*).

That the physically and mentally disabled should be accorded the same rights as other employees with regard to equality of opportunity in training and employment is the guiding principle behind a draft recommendation on the employment of disabled people in the Community which the Commission recently transmitted to the Council.

Discussions, policy debates and work in hand

2.4.15. The Commission held an initial policy discussion on agricultural prices and related measures for the coming marketing year. The proposals it will make early in February will follow the lines laid down in the 1985 Green Paper and subsequent documents such as the memoranda on cereals and beef and veal, and the paper following up the consultations during the second half of 1985.

The Commission also discussed what action to take under the Community's audiovisual policy.

¹ Bull. EC 12-1985, point 1.3.2.

Finally, it adopted a proposal for a Council Regulation laying down possible procedures for the exercise of implementing powers conferred on the Commission. This proposal is the Commission's response to a request made by the intergovernmental Conference to the Community institutions to adopt the principles and rules for defining the Commission's powers of implementation, as provided in the amended Article 145 of the EEC Treaty, before the entry into force of the Single European Act.¹ This proposal will be transmitted to the Council after the Single Act is signed.

Court of Justice

Analysis of judgments delivered between 1 October and 31 December 1985

Competition

2.4.16. In *Germany v Commission*² the Court approved the Commission's policy regarding aid for restructuring the steel industry. While emphasizing the close relationship that must exist in a period of crisis between the grant of aid and the restructuring effort made by the firm concerned, the Court rejected the applicant's contention that there must be a precise quantitative relationship between the amount of the aid and the production capacity to be eliminated. It held that the proposal to grant aid, which had to be notified to the Commission by 30 September 1982 at the latest, did not preclude the Commission from authorizing the aid even if the amount finally authorized was greater than the amount of aid notified by 30 September 1982, provided that the nature of the aid remained the same.

2.4.17. The preliminary ruling given by the Court in *Centre Belge v Compagnie Luxembourgeoise de Télédiffusion*³ is interesting because it makes it clear that an abuse within the meaning of Article 86 of the Treaty is committed where, without any

objective necessity, an undertaking holding a dominant position in a particular market reserves to itself, or to an undertaking belonging to the same group, an ancillary activity which might be carried out by another undertaking as part of its activities on a neighbouring but separate market, with the possibility of eliminating all competition on the part of the last-mentioned undertaking.

2.4.18. The Court's judgment in *Adams v Commission*⁴ was concerned with the Commission's duty of confidentiality. Mr Adams had supplied the Commission with certain documents which it had used in its investigations under Article 86 concerning the Swiss company Hoffmann-La Roche. The Court held that the Commission was bound by a duty of confidentiality towards Mr Adams, and had a duty not to identify him as its informant. It had acted imprudently in handing over to Hoffmann-La Roche copies of the documents supplied by Mr Adams, without eliminating all risk of his being identified, and without warning him of the dangers to which it was exposing him.

Agriculture and fisheries

2.4.19. In *De Boer v Produktschap voor Vis en Visprodukten*⁵ the Court clarified the demarcation between the powers of the Community and the powers of the Member States with regard to fisheries. Community legislation allocated a quota for herring to the Netherlands, but did not refer specifically to a quota for young herring ('maatjes'). The Regulation left it to Member States to determine, 'in accordance with the applicable Community provisions, the detailed rules for the utilization of the quotas allocated to them'. The Produktschap (Fish and Fish Products Board), which was responsible for managing the quota in the

¹ Supplement 2/86 — Bull. EC.

² Case 214/83.

³ Case 311/84.

⁴ Case 145/83.

⁵ Case 207/84.

Netherlands, had reserved the Netherlands' entire herring quota for 'maatjes' by ruling that only vessels which were equipped for salting and gutting herring on board could engage in herring fishing and that any herring caught had to be either gutted and salted or deep-frozen on board the vessel. In a dispute which arose in the Netherlands the Dutch court asked the Court of Justice the following question: 'Does Community law ... prohibit national rules ... administering a limited quota like the quota involved in this case, when those rules have the effect of preventing herring caught in the sectors of the North Sea to which the quota relates from being marketed ... in the form of ungutted and heavily salted herring, even if such herring itself satisfies the national and Community provisions in force?'

The Court of Justice held firstly that Community law did not preclude rules made by a body which is part of a trade association of a Member State endowed with duties of a public nature, whereby only fishermen whose vessels are equipped for salting and gutting herring on board may receive a licence to fish for herring.

However, rules laid down by a public body to the effect that herring caught as part of the national quota to be gutted and salted or deep-frozen on board the fishing vessel had nothing to do with the protection and conservation of fishery resources or with their balanced exploitation, aims which were set out in Article 1 of Regulation No 170/83,¹ but were to be viewed as requirements in connection with the marketing of the product concerned.

Unlike the Community provisions governing access to fishing quotas, which left certain powers to the national authorities, the Community rules on production and marketing left no powers to those authorities to require fishermen established in their territory to comply with rules concerning the preparation and processing of fishery products.

Community law therefore precluded a rule providing that any herring caught must

necessarily be either gutted and salted or deep-frozen on board the vessel.

2.4.20. In *Procuratore della Repubblica v Migliorini and Fischl*² the Court held that a Regulation intended to ensure that a Community tariff quota was allocated in proportion to the requirements of the Member States must be interpreted as meaning that the Community quota was to be allocated equitably among the persons concerned in each Member State, but it did not authorize the Member States to adopt measures intended to prevent, restrict or affect the re-exportation of goods which had been properly imported within the framework of that quota and which were consequently in free circulation in a Member State.

Taxation

2.4.21. In *Ministère Public v Profant*³ the Court held that the rules of Community law prevent the levying by a Member State of VAT on the importation of a motor vehicle purchased in another Member State, where VAT was paid and the vehicle is registered, when the vehicle is used by a national of the second Member State resident in that State but studying in the first Member State, where for the period of his studies his name is entered in the aliens' register. The fact that during the period of his studies he was married to a national of the first Member State is irrelevant.

ECSC

2.4.22. In *Krupp and Thyssen v Commission*⁴ the Court dismissed applications challenging Article 14b of Commission Decision No 2177/83/ECSC⁵ and Article 14B of Commission Decision No 234/84/ECSC.⁶ These provisions empowered the

¹ OJ L 24, 27.1.1983; Seventeenth General Report, point 466.

² Case 199/84.

³ Case 249/84.

⁴ Joined Cases 211 and 212/83 and 77 and 78/84.

⁵ OJ L 208, 31.7.1983.

⁶ OJ L 29, 1.2.1984.

Commission to allocate additional quotas to firms which had carried out a substantial programme of cutbacks in production capacity since 1 January 1980. The applicants took the view that by taking no account of cutbacks made before 1980 the provisions favoured firms which were late in commencing restructuring as compared with firms like Krupp and Thyssen, which had taken restructuring measures right from the beginning of the crisis in 1974. The Court did not accept the claim that the provisions were arbitrary and discriminat-

ory and found that the Commission had not misused its powers.

Appointments

2.4.23. In January the Representatives of the Governments of the Member States decided to appoint two Judges, one Spanish and one Portuguese, and a Portuguese Advocate-General (→point 1.1.2). They are respectively Mr Gil Carlos Rodríguez Iglesias, Mr José Carlos de Carvalho Moitinho de Almeida and Mr José Luís da Cruz Vilaça.

2.4.24. New cases

Case	Subject	Basis
<p>State aids</p> <p>5/86 — Commission v Belgium¹</p>	<p>Failure of Belgium to implement the Commission Decision of 27 June 1984 on the aid granted by the Belgian Government to a producer of polypropylene fibre and yarn</p>	<p>Second subparagraph of Article 93(2) EEC</p>
<p>Free movement of goods</p> <p>402/85 — Basset v Sacem</p>	<p>Compatibility with Articles 30 and 36 and Article 86 of the EEC Treaty of a royalty charged by a national copyright-management company on the public performance of works from other Member States by means of sound recordings in free circulation in those other Member States, the charging of which is provided for or authorized by the law of the State where the sound recordings are used but not in the Member States from which they are imported</p>	<p>Article 177 EEC</p>
<p>407/85 — 3 Glocken, Gertraud Kritzinger v Unita Sanitaria Locale Centro-Sud and Provincia Autonoma di Bolzano</p>	<p>1. Is the prohibition of measures having an effect equivalent to quantitative restrictions on imports contained in Article 30 of the EEC Treaty to be interpreted as preventing, in regard to the importation of pasta products, application of the provisions of Italian law concerning foodstuffs which prohibit the use of common wheat flour in the production of pasta products where those products have been lawfully produced and marketed in another Member State?</p> <p>2. Is the prohibition of arbitrary discrimination or disguised restrictions on trade between the Member States contained in Article 36 of the EEC Treaty to be interpreted as preventing the application of the abovementioned national provisions?</p>	<p>Article 117 EEC</p>

Case	Subject	Basis
<p>Customs union</p> <p>331, 376 and 378/85 — Les Fils de Jules Bianco SA and J. Girard Fils SA v Director-General for Customs and Indirect Duties</p>	<p>Compatibility with Community law of Article 13 of the Finance Act of 30 December 1980, which makes the repayment of charges levied contrary to Community law conditional upon the production of proof that those charges have not been passed on to the purchasers of the products in respect of which they were charged</p>	<p>Article 117 EEC</p>
<p>Right of establishment and freedom to provide services</p> <p>422/85 — Criminal proceedings against Mattiazzo</p>	<p>Does Council Directive 77/780/EEC, together with the national legislation transposing it (DPR 350, 27 June 1985), prevent credit institutions being granted the status of public-law institutions carrying on a public service (which might be incompatible with the principle of the freedom and independence of commercial firms)?</p>	<p>Article 177 EEC</p>
<p>Taxation</p> <p>433/85 — Feldain v Directeur-Général des Impôts</p>	<p>Compatibility with Community law of a tax which increases exponentially for powerful cars</p>	<p>Article 177 EEC</p>
<p>Social security</p> <p>379, 380 and 381/85 — 1. Caisse Régionale d'Assurance Maladie Rhône-Alpes v Giletti née Tamagno; 2. Directeur Régionale des Affaires Sanitaires et Sociales de Lorraine and Caisse Régionale d'Assurance Maladie du Nord-Est v Giardini; and 3. Caisse Régionale d'Assurance Maladie du Nord-Est v Tampan</p>	<p>Does the supplementary 'solidarity' allowance, which is financed from taxation, is intended to guarantee a minimum income level, is paid in addition to another social security benefit and in proportion to the beneficiary's resources but irrespective of his occupation, and which may be recovered from the beneficiary's estate, fall within the scope of Regulation No 1408/71?</p>	<p>Article 177 EEC</p>
<p>384/85 — J Borrie Clarke v Chief Adjudication Officer</p>	<p>Direct effect of Article 4(1) of Directive 79/7/EEC as regards a woman's invalidity benefit</p>	<p>Article 177 ECC</p>
<p>Free movement of workers</p> <p>387/85 — Hinde v Inner London Education Authority and Secretary of State for Education and Science²</p>	<p>Does a course leading to a law degree constitute vocational training falling within the scope of the Treaty as interpreted by the Court in Case 152/82 <i>Forcheri v Belgium</i> and Case 293/83 <i>Gravier v City of Liège</i>?</p>	<p>Article 177 EEC</p>
<p>Agriculture</p> <p>424 and 425/85 — Frico and Others v Voedselvoorzienings In-en Verkoopbureau</p>	<p>Validity of Commission Regulation No 685/69, as amended by Regulation No 1746/84, in so far as it provides that the annual interest rate for private storage of butter is 7% in</p>	<p>Article 177 EEC</p>

Case	Subject	Basis
<p>Budget</p> <p>15/86 — Luxembourg v Parliament</p> <p>17/86 — Netherlands v Parliament</p> <p>18/86 — France v Parliament</p> <p>19/86 — Germany v Parliament</p>	<p>the case of butter stored in Germany and the Netherlands, 9.5% in the case of butter stored in the United Kingdom, and 10.5% in the case of butter stored in other countries</p> <p>Annulment of the deliberations and resolutions of the Assembly of the European Communities of 12 December 1985 on the final adoption of the general budget of the European Communities for 1986, and of the declaration that the budget was finally adopted made by the President of the Assembly on 18 December 1985</p>	<p>Article 38 ECSC Article 173 EEC</p>
<p>Infringements</p> <p>1/86 — Commission v Belgium</p> <p>2/68 — Commission v Germany</p> <p>3/86 — Commission v Italy</p> <p>9/86 — Commission v Belgium</p> <p>11/86 — Commission v Italy</p> <p>20/86 — Commission v Germany</p>	<p>Council Directive 80/68/EEC on the protection of groundwater against pollution caused by certain dangerous substances</p> <p>Council Directives 81/957/EEC and 82/232/EEC on the classification, packaging and labelling of dangerous substances</p> <p>Article 25 of the sixth VAT Directive (77/388/EEC) — flat-rate repayment to farmers on pigmeat and beef</p> <p>Council Directive 80/1263/EEC on the introduction of a Community driving licence</p> <p>Decision 85/301/EEC, as amended by Decision 85/403/EEC (health regulations — treatment of meat obtained during an outbreak of African swine fever)</p> <p>Council Directives 77/799/EEC and 79/1070/EEC concerning mutual assistance by the competent authorities of the Member States in fields of direct taxation and VAT</p>	<p>Article 169 EEC</p> <p>Article 169 EEC</p> <p>Article 169 EEC</p> <p>Article 169 EEC</p> <p>Article 169 EEC</p> <p>Article 169 EEC</p>

Disputes between the Community and its staff

v Commission:

4/86 — Volpi Fontana

21/86 — Samaka

v Economic and Social Committee:

431/85 — Diezler and Others

16/86 — Pertoldi

v Parliament:

7/86 — Vincent

8/86 — Weissenfels

13/86 — von Bonkewitz-Lindner

¹ OJ C 37, 18.2.1986.

² OJ C 347, 31.12.1985.

2.4.25. Judgments

Date and case	Held
<p>Free movement of goods 11.11.1985: 248/85 — Deutsche Lancôme v Flacon Discount Parfumerie¹</p>	<p>Ordered removed from the Register (Article 30 EEC, use of vitamin F in a cosmetic preparation)</p>
<p>Taxation 23.1.1986: 283/84 — Trans Tirreno Express v Ufficio Provinciale IVA, Sassari</p>	<p>Article 9(2)(b) of the sixth VAT Directive (77/388/EEC) does not preclude a Member State from applying its VAT legislation to a transport operation effected between two points within its national territory, even where a part of the journey is completed outside its national territory, provided it does not encroach on the tax jurisdiction of other States</p>
<p>23.1.1986: 39/85 — Bergeres-Becque v Chef de Service Interrégional des Douanes</p>	<p>Where VAT is levied on the importation of goods by a private person, no distinction should be made according to whether or not the transaction giving rise to the importation was effected for consideration The taxable amount does not include the amount of the VAT paid in the exporting Member State which is still contained in the value of the goods when they are imported The residual tax is equal:</p>
<p>Competition 28.1.1986: 161/84 — Pronuptia de Paris v Pronuptia de Paris Irmgard Schilligalis²</p>	<p>(a) in cases in which the value of the goods has decreased, to the amount of VAT actually paid in the exporting Member State, less a percentage representing the proportion by which the goods have depreciated; (b) in cases in which the value of the goods has increased, to the full amount of VAT actually paid in the exporting Member State</p>
<p>1. (a) The compatibility of franchise agreements for the distribution of goods with Article 85(1) depends on the provisions contained therein and on their economic context (b) Provisions which are strictly necessary in order to ensure that the know-how and assistance provided by the franchisor do not benefit competitors do not constitute restrictions of competition for the purposes of Article 85(1) (c) Provisions which establish the control strictly necessary for maintaining the identity and reputation of the network identified by the common name or sign do not constitute restrictions of competition for the purposes of Article 85(1) (d) Provisions which share markets between the franchisor and the franchisees or between franchisees constitute restrictions of competition for the purposes of Article 85(1)</p>	<p>1. (a) The compatibility of franchise agreements for the distribution of goods with Article 85(1) depends on the provisions contained therein and on their economic context (b) Provisions which are strictly necessary in order to ensure that the know-how and assistance provided by the franchisor do not benefit competitors do not constitute restrictions of competition for the purposes of Article 85(1) (c) Provisions which establish the control strictly necessary for maintaining the identity and reputation of the network identified by the common name or sign do not constitute restrictions of competition for the purposes of Article 85(1) (d) Provisions which share markets between the franchisor and the franchisees or between franchisees constitute restrictions of competition for the purposes of Article 85(1)</p>

Date and case	Held
	<p>(e) The fact that the franchisor makes price recommendations to the franchisee does not constitute a restriction of competition, so long as there is no concerted practice between the franchisor and the franchisees or between the franchisees themselves for the actual application of such prices</p> <p>(f) Franchise agreements for the distribution of goods which contain provisions sharing markets between the franchisor and the franchisees or between franchisees are capable of affecting trade between Member States</p> <p>2. Regulation No 67/67/EEC is not applicable to franchise agreements for the distribution of goods such as those considered in these proceedings</p>
<p>State aids</p>	
<p>15.1.1986: 52/84 — Commission v Belgium³</p>	<p>By not complying with the prescribed period with Commission Decision 83/130/EEC of 16 February 1983 on aid granted by the Belgian Government to a firm manufacturing ceramic sanitary ware, Belgium has failed to fulfil its obligations under the Treaty</p>
<p>28.1.1986: 169/84 — Cofaz and Others v Commission²</p>	<p>Interlocutory judgment: The application is admissible (tariff structure for natural gas prices in the Netherlands)</p>
<p>Social security</p>	
<p>15.1.1986: 41/84 — Pinna v Caisse d'Allocations Familiales de la Savoie⁴</p>	<p>1. Article 73(2) of Regulation No 1408/71 is invalid in so far as it precludes the granting to employed persons subject to French legislation of French family benefits for members of their family residing in the territory of another Member State</p> <p>2. Except as regards those employed persons who have already brought legal proceedings or made an equivalent claim, the aforesaid invalidity of Article 73(2) of Regulation No 1408/71 cannot be relied on in order to support claims to benefits for periods prior to the date of this judgment</p>
<p>Free movement of workers</p>	
<p>23.1.1986: 298/84 — Iorio v Ferrovie dello Stato</p>	<p>Article 48(3)(b) of the EEC Treaty and the provisions adopted for its implementation do not apply to situations which are purely internal to a Member State, such as those involving a national of a Member State who has never resided or worked in another Member State. Neither Article 48 nor any other provision of Community law prevents the application of national provisions permitting the use of certain modes of public transport to be made subject to objective and general conditions</p>

Date and case	Held
<p>Agriculture</p>	
<p>22.1.1986: 250/84 — Eridania Zuccherifici Nazionali and Others v Cassa Conguaglio Zucchero and Others 22.1.1986: 266/84 Denkvit France v Forma</p>	<p>Consideration of the questions raised has disclosed no factor of such a kind as to affect the validity of Articles 24 and 28 of Council Regulation No 1785/81</p>
<p>23.1.1986: 251/84 — Centrale Marketinggesellschaft der Deutschen Agrarwirtschaft v Commission</p>	<p>1. Consideration of the questions raised has disclosed no factor of such a kind as to affect the validity of Article 15 of Regulation No 1380/75</p> <p>2. Where Control Copy EC No T5 is not returned, the person concerned may plead <i>force majeure</i> if he has failed to make an application, before the expiry of the six-month period, for other documents to be accepted as equivalent pursuant to Article 11(5) of Regulation No 1380/75 as amended by Regulation No 1498/76</p>
<p>28.1.1986: 129/84 — Italy v Commission²</p>	<p>Application dismissed (performance of a research contract with the Commission — repayment of costs in respect of the leasing of equipment)</p>
<p>28.1.1986: 130/84 — Italy v Commission²</p>	<p>1. Commission Decision 84/202/EEC on the clearance of accounts presented by Italy in respect of the EAGGF Guarantee Section expenditure for 1978 is declared void in so far as the Commission refused to accept as chargeable to the EAGGF the sum of LIT 305 825 498 as expenditure for financing reduced-price butter sales and in so far as it refused to accept as chargeable to the EAGGF the sum of LIT 797 492 672 in relation to the loss suffered on the processing of skimmed-milk powder into animal feed</p> <p>2. The remaining claims are dismissed</p>
<p>15.1.1986: 290/85 — Caisse de Mutualité Sociale Agricole du Gers v Anglade and Others</p>	<p>Application dismissed and applicant ordered to pay costs (partial annulment of the Commission Decision on the clearance of EAGGF accounts for 1979)</p>
<p>Miscellaneous (Statute of the European School)</p>	<p>Ordered removed from the Register (interpretation of Council Regulation No 1357/80)</p>
<p>15.1.1986: 44/84 — Hurd v Jones (Her Majesty's Inspector of Taxes)³</p>	<p>Interpretation of Article 3 of the 1972 Act of Accession and of Articles 5 and 7 of the EEC Treaty:</p> <p>By virtue of the duty of genuine cooperation and assistance which Member States owe the Community and which finds expression in the obligation laid down in Article 5 of the EEC Treaty to facilitate the achievement of the Community's tasks and to refrain from jeopardizing the attainment of the objectives of the Treaty, Member States are prohibited from subjecting to domestic taxation the salaries paid by the European Schools to their teachers, where the burden of such taxation is borne by the Community budget</p>

Date and case	Held
Infringements	
15.1.1986: 121/84 — Commission v Italy	Application dismissed (restrictions on the transit of live animals)
28.1.1986: 270/83 — Commission v France ²	By failing to grant to the branches and agencies in France of insurance companies based in another Member State on the same terms as those enjoyed by insurance companies based in France the benefit of shareholders' tax credits in respect of dividends paid to such branches or agencies by French companies, France has failed to fulfil its obligations under Article 52 of the EEC Treaty
28.1.1986: 188/84 — Commission v France ²	Application dismissed (restrictions on importation of woodworking machines)

Disputes between the Community and its staff

v Commission:

23.1.1986: 171/84 — Soma and Others — Applications dismissed (annulment of a Commission measure whereby the Commission, in calculating the applicants' pension rights under Community law, took only partial account of the applicants' periods of service with the Commission under a national social security scheme before they were appointed as members of the temporary staff)

23.1.1986: 173/84 — Rasmussen — Application dismissed

¹ OJ C 348, 31.12.1985

² OJ C 44, 26.2.1986.

³ OJ C 37, 18.2.1986.

⁴ OJ C 39, 20.2.1986.

Economic and Social Committee

233rd plenary session

2.4.26. The Economic and Social Committee held its 233rd plenary session on 29 and 30 January with Mr Gerd Muhr in the chair.

It adopted an own-initiative opinion on aid to regional development and opinions on a number of Commission proposals. It also approved three information reports on the new technologies — concerning Community R&D, the corporate environment, and social aspects. The Committee decided to send the three reports to the Council and the Commission.

National regional development aid

2.4.27. The Committee unanimously adopted an own-initiative opinion on

national regional development aid summarizing the main guidelines and conclusions of the information report which it drew up on the same subject last May. It considered that an analysis of national schemes was required to give a more accurate assessment of the total volume of aid and to explain the reasons for discrepancies in development, since ERDF aid is complementary to national aid. The Committee examined the compatibility of regional aid with the EEC Treaty rules on distortion of competition, namely Articles 92 and 93, which authorize the granting of State subsidies only in certain exceptional cases.

The Committee expressed the view that the Member States should be allowed a measure of flexibility as long as certain criteria — to be defined at Community level — for assessing the extent of regional needs are respected.

Recognition of higher education diplomas

2.4.28. By 55 votes to three, with three abstentions, the Committee adopted an opinion on the proposal for a Council Directive on a general system for the recognition of higher education diplomas.¹

The Committee observed that little progress had been made on the right of establishment and freedom to provide services because of the complexity of harmonizing professional qualifications. It noted that the Commission's initiative was in line with the White Paper on completing the internal market and that the Commission proposed a major breakthrough as regards the right of establishment by introducing a new system enabling holders of higher education diplomas obtained in one Member State (country of origin) to pursue the profession for which they are qualified in another Member State (host country) provided certain conditions are fulfilled.

The Committee felt that the title of the proposal for a Directive might in some respects lead to confusion. The new system will give higher education diplomas qualifying their holders to practise a profession in their country of origin the same status as similar higher education diplomas in the host country, without actually recognizing them as being equivalent. The title of the proposal should therefore be changed to make it clear that the proposal concerns the recognition of diplomas and the assessment of differences between them in the light of right of establishment and freedom to supply services.

The Committee approved the measures to facilitate the free movement of nationals of Member States wishing to practise a profession in a Member State other than the one in which they obtained their higher education diploma provided it could be ensured that the professions in question would be exercised skilfully and responsibly in the host country.

It noted that the system is a general one based on a comparison of training levels, with allowances based primarily on pro-

fessional experience and/or the completion of a period of supervised practice, and that it requires the Member States to cooperate both between themselves and with the Commission. The system also provides guarantees for Community citizens who wish to make use of it and does not preclude the introduction of specific Community rules on certain professional activities at a later date.

The Committee felt that the new system is an initial step which should be followed by a similar approach in other cases where differences in training and qualifications awarded prevent freedom of establishment from applying to certain professional activities.

Harmonization of taxes on manufactured tobacco

2.4.29. The Committee delivered an opinion on the proposal for a Council Directive extending for the sixth time the second stage of harmonization of the structures of excise duties which affect the consumption of manufactured tobacco.²

In view of the need to safeguard what has already been achieved at Community level beyond 31 December 1985, the Committee did not oppose the proposal. However, it urged the Community bodies responsible to take a rapid decision on the matter. It also reiterated the recommendations it made in its 1981 opinion and report, which put forward an alternative solution,³ and pointed out that the creation of an internal Community market necessarily requires the elimination of tax frontiers and harmonization of excise duties, including those on tobacco.

Deferment of the introduction of VAT in Greece

2.4.30. By 85 votes in favour and 7 abstentions, the Committee adopted an opinion on the proposal for a 21st Council Directive

¹ Supplement 8/85 — Bull. EC; Bull. EC 7/8-1985, point 2.1.12.

² Bull. EC 12-1985, point 2.1.86.

³ OJ C 264, 11.10.1980; Bull. EC 2-1981, point 2.3.26.

on the harmonization of the laws of the Member States relating to turnover taxes concerning the deferment by one year of the introduction of the common system of value-added tax in Greece (→ point 2.1.57).

The Committee referred to its earlier opinion¹ in which it expressed understanding for the technical problems which prevented the introduction of VAT in Greece by 1 January 1984. It felt that the further deferment proposed would not affect Greece's contribution to the 1986 Community budget, which is calculated on the basis of VAT receipts.

However, the Committee pointed out to the Council that the failure of one Member State to introduce the common basis of the VAT system constitutes a further obstacle to completion of the internal market. It therefore proposed that the Commission provide all possible assistance to the Greek authorities to enable them to introduce a VAT system on the lines of those operating in the other Member States.

Community standards on the examination of animals and fresh meat for the presence of residues

2.4.31. The Committee unanimously adopted an opinion on the proposal for a Council Directive concerning the examination of animals and fresh meat for the presence of residues.

It welcomed the Commission's initiative but called for a number of amendments.

The Commission proposed that setting up and operating the sampling and analysis systems should be primarily a matter for the Member States, each of which would be responsible for the administrative and tax aspects of its own system.

The Committee particularly regretted the fact that the proposal covers only the control of residues in meat. In its view, it should also prevent the occurrence of residues, lay down standards for sampling methods, and provide for two official methods of analysis for each substance. A declaration of intent

should be made on the control of residues in species not covered by the present proposal, such as poultry, game and fish.

European Investment Bank

Operations in 1985

2.4.32. In an unsettled economic climate with a recovery in investment varying from one country to another, financing provided by the European Investment Bank in 1985 showed a modest increase compared with the already high level recorded during the previous year: almost 7 200 million ECU was advanced overall, 4% more than in 1984.

Salient features of the 1985 financial year were:

- (i) an increase in the Bank's capital to 28 800 million ECU (→ point 2.4.38);
- (ii) growth in lending for advanced technology and environmental protection (→ point 2.4.35);
- (iii) the even greater role of the ECU (→ point 2.4.42);
- (iv) financing for 6 500 smaller-scale ventures (→ point 2.4.36).

*

2.4.33. Trends in EIB financing are illustrated in the following table:

	<i>million ECU¹</i>	
	1985	1984
Within the Community	6 524.4	6 194.9
<i>from EIB own resources</i>	5 640.7	5 013.1
<i>from NCI resources²</i>	883.7	1 181.8
Spain and Portugal	260.0	220.0
Mediterranean Protocols	165.2	327.6
Second Lomé Convention	235.0	160.7
<i>Total</i>	7 184.6	6 903.2

¹Conversion rates at 1 December. 1 ECU = BFR 44.65, DKR 7.96, DM 2.18, DR 131.20, ESC 140.74, FF 6.70, HFL 2.46, IRL 0.71, LFR 44.65, LIT 1 490, PTA 136.52, UKL 0.62, USD 0.89

²OJ L 298, 20.10.1978; Bull. EC 10-1979, point 2.1.10

¹ OJ C 317, 23.11.1983; Bull. EC 12-1983, point 2.1.55.

Within the Community, an upturn of 12.7% was recorded in lending from own resources, whereas loans from the resources of the New Community Instrument for borrowing and lending (NCI) dipped by 25%. On a country-by-country basis, a considerable rise was observed in financing in the United Kingdom and Greece, with less pronounced growth in Denmark and France. A modest level of activity was again recorded in Belgium, while operations resumed in the Netherlands. Loans in Italy roughly matched the high level attained during the previous year and accounted for almost 46% of aggregate EIB financing.

A further feature of EIB activity in 1985 was the growth in lending in Spain and Portugal provided as part of pre-accession financial cooperation in support of investment designed to help integrate these countries into the Community economy. Since conclusion of agreements with Spain in 1981¹ and with Portugal in 1976,² the EIB has made available 550 million ECU and 725 million ECU respectively in these two countries. As membership of the Bank goes hand in hand with accession to the EEC, Spain and Portugal have, since 1 January 1986, enjoyed access to EIB lending with no ceiling on the amounts which may be committed. A further upturn in operations in these two countries can therefore be expected from the current financial year on.

In 1985 lending under financial protocols concluded with the Mediterranean countries mostly benefited projects in the Maghreb region.

Under the second Lomé Convention, implementation of which is now drawing to a close, the EIB last year completed commitment of the amount earmarked for risk capital operations from European Development Fund resources and deployed a record amount in loans from own resources.

EIB borrowings swelled to 5 700 million ECU, the main currencies raised being the US dollar, the ECU, the German mark and the yen. A further increase was recorded in ECU-denominated issues, which totalled 730.6 million ECU and occupied second

place on the list of currencies borrowed. A marked rise was observed in floating-rate borrowings (chiefly in US dollars), which ran to 899.2 million ECU in all.

Community

2.4.34. Loans provided within the Community in 1985 broke down into 5 640.7 million ECU from EIB own resources (12.7% up) and 883.7 million ECU from NCI resources (25.2% down). These operations accounted for some 60% of overall Community financing (grants plus loans) in support of investment and for almost 85% of Community loans financed from the proceeds of borrowings. They also corresponded to around 1.2% of gross fixed capital formation within the Community in 1985, a figure which rises to 3.3% in Ireland, 3.5% in Italy (as much as 6.1% in the Mezzogiorno) and 5% in Greece.

On the basis of data available at the time of project appraisal, the EIB puts at some 19 600 million ECU the total fixed asset cost of projects financed last year, with Bank lending covering on average 35% of the cost of ventures. In terms of employment, these projects are expected directly to generate almost 43 000 permanent jobs. Furthermore, orders and works relating to schemes financed, particularly in the case of infrastructure, provide substantial temporary employment — estimated at around 190 000 man-years for projects supported in 1985 — over periods ranging from 2 to 10 years, depending on the scheme involved. Taking into account loans made in previous years, the number of people in work in 1985 through implementation of projects co-financed by the EIB is put at over 550 000.

Economic policy objectives

2.4.35. As in previous years and in line with the EIB's principal task, regional development (3 390 million ECU) remained at the forefront of the Bank's lending targets:

¹ Bull. EC 5-1981, point 2.2.8.

² Sixteenth General Report, point 515.

72% of loans under this heading focused on countries beset with very severe structural problems (Italy, Greece, Ireland and the United Kingdom), while more than 60% was channelled to regions battling with unemployment rates above, and average income below, the Community average.

Financing aimed at reducing the Community's dependence on oil imports continued to represent the Bank's second major objective, accounting for 2 280 million ECU. Of this, 1 480 million ECU went towards developing indigenous resources, with the emphasis on constructing nuclear and hydroelectric power stations and tapping oil and gas deposits; a further 551.2 million ECU was given over to diversifying energy supply sources and promoting rational use of energy (interconnection of high-voltage electricity grids, electrification of rail lines, heat recovery and development of renewable sources of energy, e.g. geothermal and solar).

A substantial proportion of funding for the energy sector was made available in the form of global loans for smaller-scale ventures (251 million ECU): last year, 279 such schemes attracted global loan allocations totalling 263.1 million ECU (industry 126.5 million ECU; infrastructure 136.6 million ECU).

When fully operational, projects financed in 1985 should represent 9.3 million tonnes of oil equivalent (toe) a year. Since 1981 the cutback in oil imports achieved by virtue of projects financed by the EIB is estimated at 60.9 million toe, of which 14.8 million toe were attained through energy savings: this represents 18.4% of projected Community oil imports in 1990.

Industrial modernization and conversion constituted the EIB's third main objective in terms of funds advanced (979 million ECU), with global loans from NCI resources (629.1 million ECU) making up a sizeable proportion of overall financing for productive ventures mounted by smaller firms. Loans were also provided for modernizing the textile industry and 325.6 million ECU was given over to investment aimed at

developing or introducing advanced technology in industry and telecommunications, including 59.9 million ECU in the form of global loans for smaller-scale schemes.

In providing 384.2 million ECU last year for developing Community infrastructure, the EIB financed construction of numerous sections of road and motorway as well as port development schemes improving communications between Member States (northern Italy, France, United Kingdom). In the Netherlands, funds were advanced for bolstering the fleet of aircraft used on intra-Community routes, while interconnection of the British and French and French and Italian electricity grids, classified under the heading of energy projects, again helped to develop Community infrastructure, as did a telecommunications satellite scheme in France.

Financing for environmental protection, totalling 360.4 million ECU in 1985, showed a marked upswing compared with the previous year (156.8 million ECU); funds benefited mainly sewage treatment schemes in the basins of the rivers Po, Arno and Tiber and the Venice lagoon in Italy, in several coastal towns in Greece, in a number of counties in Ireland and in certain parts of the United Kingdom.

Breakdown by sector

2.4.36. The sectoral spread of financing highlights the role (2 400 million ECU) played by infrastructure projects, especially communications and telecommunications; the EIB also helped in implementing water schemes — particularly sewage treatment works — and establishing industrial estates; furthermore, smaller items of infrastructure were financed through global loans.

A fresh increase was observed in lending for energy projects (2 230 million ECU), with power stations, uranium processing and storage facilities, electricity transmission and distribution systems and district heating schemes all attracting EIB support.

Reflecting the trend which has emerged in recent years, lending to manufacturing

industry and the productive sector generally (including forestry, tourism and vocational training establishments) amounted to 1 900 million ECU in 1985, of which 500 million ECU was devoted to large-scale projects involving chiefly innovative schemes in the chemicals, electronics and mechanical engineering industries. Global loans for smaller ventures, totalling 1 400 million ECU, again accounted for some 75% of financing for industry.

Allocations made in 1985 from ongoing global loans earmarked for productive investment in industry ran to 1 432 million ECU, comprising 708 million ECU from EIB own resources for 2 770 ventures in assisted areas and 724 million ECU from NCI resources for 2 916 schemes mainly outside such areas. In addition, 279 allocations (263 million ECU) benefited energy schemes, with a further eight (29.2 million ECU) going to smaller ventures deploying advanced technology.

Of the various smaller-scale industrial ventures funded through global loan allocations in 1985, 98% were implemented by firms with less than 500 employees, includ-

ing over 70% by firms with a workforce of less than 50.

Breakdown by country

2.4.37. A breakdown of loans by country is given in Table 12.¹

Doubling of the Bank's capital

2.4.38. The decision adopted by the Board of Governors in June 1985 to increase the Bank's capital came into effect on 1 January 1986 and was automatically subscribed to by Spain and Portugal by virtue of their accession. Standing at 14 400 million ECU since 1981, the capital has now been doubled to 28 800 million ECU. The latest increase means that the maximum amount of outstanding EIB lending, which cannot exceed 250% of subscribed capital, has been raised to 72 000 million ECU. Capital paid in and to be paid in represents about 9% of subscribed capital. The Bank's capital at 1 January 1986 is tabulated below:

¹ The Bulletin publishes detailed information on EIB loans every month.

	1 000 ECU		
	Subscribed capital	Capital paid in and to be paid in	%
Germany	5 508 725	497 529.375	19.127
France	5 508 725	497 529.375	19.127
Italy	5 508 725	497 529.375	19.127
United Kingdom	5 508 725	497 529.375	19.127
Spain	2 024 928	181 333.940	7.031
Belgium	1 526 980	136 742.250	5.302
Netherlands	1 526 980	136 742.250	5.302
Denmark	773 154	69 236.550	2.684
Greece	414 190	37 091.750	1.438
Portugal	266 922	23 903.086	0.927
Ireland	193 288	17 309.100	0.671
Luxembourg	38 658	3 461.850	0.134
Total	28 800 000	2 595 938.276	100.000

Table 12 — EIB financing in the Community, 1985 and 1984
Breakdown by location, economic policy objective and major sector

(million ECU)

	1985				1984				% change 1985/84	
	Own resources	NCI	Total		Own resources	NCI	Total		Own resources	Total
	Amount	Amount	Amount	%	Amount	Amount	Amount	%		
<i>Location</i>										
Belgium	77.8	—	77.8	1.2	32.5	—	32.5	0.5	+ 139.4	+ 139.4
Denmark	264.0	68.5	332.5	5.1	183.9	134.6	318.5	5.1	+ 43.6	+ 4.4
Germany	91.4	—	91.4	1.4	134.3	—	134.3	2.2	- 31.9	- 31.9
Greece	401.7	22.0	423.7	6.5	275.5	69.3	344.8	5.6	+ 45.8	+ 22.8
France	889.6	357.8	1 247.4	19.1	814.0	386.3	1 200.3	19.4	+ 9.3	+ 3.9
Ireland	146.6	27.9	174.5	2.7	124.0	50.0	174.0	2.8	+ 18.2	+ 0.3
Italy	2 603.9	374.1	2 978.0	45.6	2 538.2	497.3	3 035.5	49.0	+ 2.6	- 1.9
Luxembourg	—	—	—	—	16.4	—	16.4	0.3	- 100.0	- 100.0
Netherlands	69.1	—	69.1	1.1	—	—	—	—	—	—
United Kingdom	1 096.7	33.4	1 130.1	17.3	888.2	44.3	932.5	15.1	+ 23.5	+ 21.2
Total	5 640.7	883.7 ¹	6 524.4	100.0	5 007.0	1 181.8 ¹	6 188.8	100.0	+ 12.6	+ 5.4
<i>Economic policy objective</i>										
• Regional development	3 286.2	104.5	3 390.7	52.0	3 085.5	195.0	3 280.5	53.0	+ 6.5	+ 3.4
• Common European interest/indus. modernization and conversion	3 194.2	811.4	4 005.6	61.4	2 723.0	1 123.0	3 846.0	62.1	+ 17.3	+ 4.1
— Energy objectives ²	2 241.6	40.4	2 282.0	35.0	1 991.5	250.1	2 241.6	36.2	+ 12.6	+ 1.8
— Communications and other Community infrastructure	617.4	127.3	744.7	11.4	393.0	38.1	431.1	6.9	+ 57.1	+ 72.7
— Modern. conv.; advanced technol.	335.2	643.7	978.9	15.0	338.5	834.8	1 173.3	19.0	- 1.0	- 16.6
• Less ³	- 839.7	- 32.2	- 871.9	- 13.4	- 801.5	- 136.2	- 937.7	- 15.1		
<i>Sector</i>										
• Energy and infrastructure	4 400.0	226.6	4 626.6	71.0	3 799.2	390.8	4 190.0	67.7	+ 15.8	+ 10.4
— Energy ⁴	2 230.9	—	2 230.9	34.6	1 873.0	221.2	2 094.4	33.9	+ 19.1	+ 6.5
— Transport and telecommunications	1 393.7	167.4	1 561.1	23.7	1 324.8	91.5	1 416.3	22.9	+ 5.2	+ 10.2
— Water schemes	435.1	36.5	471.6	7.2	304.4	49.2	353.6	5.7	+ 42.9	+ 33.4
— Other infrastructure	133.3	22.8	156.1	2.4	173.6	28.9	202.5	3.3	- 23.2	- 22.9
— Infrastructure global loans	207.0	—	207.0	3.2	123.4	—	123.4	2.0	+ 67.7	+ 67.7
• Industry, agric. and services	1 240.7	657.1	1 897.8	29.0	1 207.8	791.0	1 998.8	32.3	+ 2.7	- 5.1
— Individual loans	469.4	27.9	497.3	7.6	532.8	19.4	552.2	8.9	- 11.9	- 9.9
— Global loans	771.3	629.1	1 400.4	21.4	675.0	771.6	1 446.6	23.4	+ 14.3	- 3.2
• Allocations from current global loans	(1 132.2)	(729.0)	(1 861.3)	(28.5)	(1 058.4)	(715.5)	(1 773.9)	(28.6)		
— Industry	(863.0)	(724.2)	(1 587.2)	(24.3)	(744.6)	(687.0)	(1 431.6)	(23.1)		
— Infrastructure	(269.3)	(4.8)	(274.1)	(4.2)	(313.8)	(28.5)	(342.3)	(5.5)		

¹ Including 869.6 million ECU from NCI III and 14.1 million ECU from the NCI tranche earmarked for earthquake reconstruction.

² Development of indigenous resources, diversification of imports and rational use of energy, excluding energy-related capital investment contributions more to regional development than to attainment of the Community's energy objectives as such.

³ To allow for duplication of financing justified on the basis of more than one objective.

⁴ Including global loans (1984. 346.5 million ECU; 1985. 251.0 million ECU).

Spain and Portugal

2.4.39. In Spain the EIB lent 47 million ECU for the development of five sections of the trunk road network serving Barcelona, Córdoba, Burgos, Valladolid and Murcia; 40 million ECU for a hydroelectric complex south-west of Valencia; 30 million ECU for upgrading railway infrastructure on the line connecting Madrid and Barcelona to France; and 13 million ECU for a bulk cargo quay and associated facilities at the port of Cadiz and for protection and development works at Santa Cruz de Tenerife harbour in the Canary Islands. Finally, 20 million ECU went to the Banco de Crédito Industrial and 10 million ECU to the Banco de Crédito Local de España for funding ventures mounted by small businesses in the industrial and service sectors.

In Portugal 30 million ECU went towards the installation of a fourth 300 MW generating unit at Sines power station, 20 million ECU to a 38-km section of the motorway between Oporto and Lisbon and 20 million ECU to various sections of road (99 km in all) on key routes linking the port of Aveiro and Coimbra with Vilar Formoso. The list is rounded off by two global loans, each for 15 million ECU, to ventures mounted by small industrial, tourism and service businesses, as well as energy-saving and environmental protection schemes.

Lending under financial protocols with Mediterranean countries

2.4.40. In Algeria 50 million ECU was made available under the First Financial Protocol and 25 million ECU under the Second Financial Protocol to upgrade sections of highway between Jijel and Constantine and to construct a new quay and to establish quay levels for freight traffic at Bejaia in the east of the country.

In Tunisia the agricultural and fisheries sectors were the beneficiaries of Bank lending totalling 23.5 million ECU (including 5 million ECU made available from budgetary funds) notably for acquisition of 10 trawlers, capital investment schemes mounted

by farm cooperatives with a view to improved productivity, chiefly in northern and north-western Tunisia, small and medium-scale on-farm investment and agricultural-processing schemes.

In Morocco a global loan of 8.5 million ECU was concluded for funding on-farm investment (livestock and equipment purchases, construction of buildings, smaller-scale agricultural-processing schemes).

The launching of operations under the Second Financial Protocol with Cyprus saw the EIB lending 30.2 million ECU (including 3.7 million ECU from budgetary funds) in this country for water schemes. Construction of the Kouris dam will help to tap run-off water from the Troodos mountains for piping to various towns.

In Syria a loan for 28 million ECU helped to uprate the capacity of Mehardeh thermal power station to cope with the rapid growth in the electrification of rural areas.

ACP States and OCTs

2.4.41. There was a marked upturn in financing operations mounted in the African, Caribbean and Pacific (ACP) and the overseas countries and territories (OCTs) in 1985, mainly attributable to increased lending from the Bank's own resources which ran to 167.8 million ECU in contrast to 79.1 million ECU the previous year. Funds advanced in the form of risk capital assistance amounted to 67.2 million ECU, as against 81.6 million ECU in 1984, accounting virtually for the balance of the sum set aside under this heading (291 million ECU) in the second Lomé Convention. By the end of 1985 the EIB had lent 577.5 million ECU in all from its own resources (out of a possible maximum of 700 million) in these countries since entry into effect of the Convention.

The breakdown of lending in 1985 shows close on 51% earmarked for industrial and agricultural-processing ventures (32.8% of this for fairly large projects and 18.1% for small businesses). In seeking to reduce the ACP States' extremely costly dependence on

oil imports, the Bank directed 27% of its credit towards energy projects, notably those given over to harnessing indigenous resources. The telecommunications sector absorbed 12% of financing, transport 3.4%, water supply schemes 3% and feasibility studies 4%.

About two thirds of projects financed in the industrial sector, via individual loans or global loan allocations, were biased towards deriving maximum benefit from local resources, fostering domestic production by way of substitution for imports, and encouraging exports.

The Bank financed capital investment totalling 700 million ECU. An amount of 33.8 million ECU was taken up during 1985 under ongoing global loans to fund 82 small and medium-scale ventures.

Industrial rehabilitation and the reinstatement of infrastructure were two key objectives which continued to attract Bank support in 1985. Not only did the EIB provide credit to help firms hit by the recession to modernize or revamp their operations, but it furnished promoters with the risk capital to strengthen their equity base. The Bank also contributed funds to assist the smooth running of local water and electricity utilities. EIB development support for telecommunications, harbour infrastructure and electricity generating and supply schemes has served to uprate living standards and to create a better economic environment for firms to operate in, and has helped to make a positive impact on countries' balance of payments, notably by trimming their oil imports.

Operations were mounted in 27 ACP States and in 3 OCTs, and included two projects (one in Central Africa, the other in the Caribbean) offering benefits to other countries in the area. Details of these projects were published in the monthly issues of the Bulletin in the course of the year.

Borrowings

2.4.42. To finance its lending from own resources, in 1985 the EIB raised loans total-

ling 5 709.1 million ECU, 32% up on 1984 (4 360.9 million ECU). 4 229 million ECU was tapped by means of public loan issues, 1 095.5 million ECU in private placings and 374 million ECU through the issue of commercial paper.

Following their trial launching in 1984, floating-rate operations made fresh ground in 1985 to total 899.2 million ECU, the equivalent of 649.1 million of this in US dollars. The breakdown shows 468.7 million ECU raised via swap operations against fixed-rate borrowings, 374.0 million ECU through the issue of commercial paper and 56.5 million ECU in direct borrowings on the floating-rate market.

The Bank drew on the proceeds of its floating-rate borrowings to finance lending operations, chiefly in the United Kingdom, France, Italy and Greece.

Principal currencies raised

	<i>million ECU</i>			
	1985		1984	
1. USD	1 633	28.6%	1 255	28.8%
2. ECU	731	12.8%	555	12.7%
3. DM	674	11.8%	652	15.0%
4. YEN	621	10.9%	346	7.9%
5. HFL	424	7.4%	481	11.1%
6. FF	369	6.5%	175	4.0%
7. SFR	355	6.2%	322	7.4%
8. LIT	342	6.0%	108	2.5%
9. UKL	218	3.8%	285	6.5%
10. BFR	170	3.0%	153	3.5%

From these rankings, it can be seen that the ECU topped the list of Community currencies raised by the Bank in 1985 and came second only to the dollar in terms of aggregate borrowings for the year. 1985 saw the Bank floating maiden ECU issues on the French, Italian and Japanese markets. The EIB also appreciably stepped up its borrowings in French francs and trebled its fund-raising in lire. The main countries where loans were wholly or partially disbursed in ECU were: France (299.6 million ECU),

Italy (273.9 million ECU), Greece (115.5 million ECU), Denmark (51.2 million ECU), Spain (45.2 million ECU), Ireland (22.5 million ECU) and Portugal (5.4 million ECU).

The financial year 1985 was likewise one in which the EIB broke new ground by

featuring on the Eurofranc market after this reopened in the spring, and by being the first issuer on the Eurolira market in the autumn; it also scored a 'first' on the Irish market by launching an international issue there, and mounted maiden borrowing operations denominated in Danish kroner and floating-rate German marks.

DOCUMENTATION

1. ECU

Values in national currencies of one ECU

31 January 1986 ¹	
Belgian franc and Luxembourg franc (convertible)	44.3565
Belgian franc and Luxembourg franc (financial)	44.9052
German mark	2.16748
Dutch guilder	2.44822
Pound sterling	0.641957
Danish krone	8.00230
French franc	6.64304
Italian lira	1 477.41
Irish pound	0.716214
Greek drachma	132.806
Spanish peseta	136.471
Portuguese escudo	141.052
United States dollar	0.907085
Swiss franc	1.83866
Swedish krona	6.82491
Norwegian krone	6.75552
Canadian dollar	1.29305
Austrian schilling	15.2481
Finnish mark	4.85154
Japanese yen	175.022
Australian dollar	1.26865
New Zealand dollar	1.69390

¹ OJ C 22, 1.2.1986.

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

January 1986	
National currency	Value in national currency of one ECU
Belgian franc and Luxembourg franc	46.4118
Danish krone	8.41499
German mark	2.39792 ¹ 2.41047 ² 2.38516 ³
Greek drachma	77.2479 ⁴ 102.345 ³
French franc	6.49211 ⁴ 7.10590 ⁵ 7.00089 ³
Irish pound	0.725690 ¹ 0.750110 ³
Italian lira	1 341.00 ⁴ 1 482.00 ³
Dutch guilder	2.70178 ¹ 2.71620 ² 2.68749 ³
Pound sterling	0.618655

¹ For cereals and durum wheat.

² For milk and milk products.

³ For other products.

⁴ For seeds.

⁵ For milk and milk products, pigmeat and wine, and from 6 January for sheepmeat and goatmeat.

2. Additional references in the Official Journal

3.2.1. This section lists the titles of legal instruments and notices of Community institutions or organs which have appeared in the Official Journal since the last Bulletin was published but relating to items appearing in earlier issues of the Bulletin; the references were not available when the Bulletin went to press.

The number of the Bulletin and the point to which this additional information refers is followed by the title shown on the cover of the Official Journal, the number of the issue and the date of publication.

Bull. EC 11-1985

Point 2.1.58

Commission Decision of 27 November 1985 relating to a proceeding under Article 85 of the EEC Treaty (IV/30.846 — Ivoclar)
OJ L 369, 31.12.1985

Point 2.1.168

European Road Safety Year 1986 — Official symbol
OJ C 11, 17.1.1986

Bull. EC 12-1985

Point 2.1.11

Council Directive of 20 December 1985 amending, on account of the accession of Spain and Portugal, Directive 85/384/EEC on the mutual recognition of diplomas, certificates and other evidence of formal qualifications in architecture, including measures to facilitate the effective exercise of the

right of establishment and freedom to provide services

OJ L 376, 31.12.1985

Point 2.1.60

Commission Decision of 16 December 1985 relating to a proceeding pursuant to Article 85 of the EEC Treaty (IV/30.373 — P & I clubs)

OJ L 376, 31.12.1985

Point 2.1.62

Commission Decision of 16 December 1985 relating to a proceeding pursuant to Article 85 of the EEC Treaty (IV/30.839 — Sperry New Holland)

OJ L 376, 31.12.1985

Point 2.1.63

Commission Decision of 18 December 1985 relating to a proceeding pursuant to Article 85 of the EEC Treaty (IV/30.739 — Siemens/Fanuc)

OJ L 376, 31.12.1985

Point 2.1.65

Commission Decision of 16 December 1985 relating to a proceeding pursuant to Article 85 of the EEC Treaty (IV/30.665 — Villeroy & Boch)

OJ L 376, 31.12.1985

Point 2.1.123

Resolution of the Ministers responsible for cultural affairs meeting within the Council, of 20 December 1985, on special conditions of admission for young people to museums and cultural events

OJ C 348, 31.12.1985

3. Infringement procedures

Initiation of proceedings for failure to implement directives

3.3.1. In January the Commission sent letters of formal notice for failure to incorporate directives into national law (the Commission not having been informed of national implementing measures) in the following cases:

Internal market and industrial affairs

Council Directive of 18 December 1984¹ amending the Council Directive of 20 December 1979 on the approximation of the laws of the Member States relating to units of measurement² (Belgium, Italy, Luxembourg).

Environment, consumer protection and nuclear safety

Council Directive of 26 September 1983 on limit values and quality objectives for cadmium discharges³ (Denmark, Luxembourg).

Commission Directive of 25 April 1984⁴ adapting to technical progress for the sixth time the Council Directive of 27 June 1967 on the approximation of laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances⁵ (Luxembourg).

Council Directive of 17 February 1981⁶ amending Section 2 of Annex II to the Council Directive of 17 July 1972 on the approximation of the laws of the Member States relating to certain methods for the quantitative analysis of binary textile fibre mixtures⁷ (Denmark).

Reasoned opinions

3.3.2. The Commission delivered 14 reasoned opinions in the following cases:

Legal Service

Appending of ECSC order for enforcement (Greece).

Internal market and industrial affairs

Failure to inform the Commission of national measures to give effect to the Council Directive of 12 July 1982⁸ amending the Council Directive of

25 July 1978 laying down specific criteria of purity for emulsifiers, stabilizers, thickeners and gelling agents for use in foodstuffs⁹ (Germany).

Failure to inform the Commission of national measures to give effect to the Council Directive of 18 October 1982¹⁰ amending the Council Directive of 25 July 1978 laying down specific criteria of purity for antioxidants which may be used in foodstuffs intended for human consumption⁹ (Germany, France).

Failure to inform the Commission of national measures to give effect to the Commission Directive of 22 July 1983 introducing temporary measures for the designation of certain ingredients in the labelling of foodstuffs for sale to the ultimate consumer¹¹ (Germany, France, Ireland).

Employment and social affairs

Failure to incorporate correctly into national law the Council Directive of 9 February 1976 on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions¹² (France).

Agriculture

Failure to inform the Commission of national measures to give effect to the Commission Directive of 2 December 1982¹³ amending Annex II to the Council Directive of 30 June 1969 on the marketing of seed of oil and fibre plants¹⁴ (France, Luxembourg).

Environment, consumer protection and nuclear safety

Failure to inform the Commission of national measures to give effect to the Council Directive of 24 June 1982 on the major-accident hazards of certain industrial activities¹⁵ (Luxembourg).

¹ OJ L 2, 3.1.1985.

² OJ L 39, 15.2.1980.

³ OJ L 291, 24.10.1983.

⁴ OJ L 251, 19.9.1984.

⁵ OJ 196, 16.8.1967.

⁶ OJ L 57, 4.3.1981.

⁷ OJ L 173, 31.7.1972.

⁸ OJ L 230, 5.8.1982.

⁹ OJ L 223, 14.8.1978.

¹⁰ OJ L 297, 23.10.1982.

¹¹ OJ L 255, 15.9.1983.

¹² OJ L 39, 14.2.1976.

¹³ OJ L 357, 18.12.1982.

¹⁴ OJ L 169, 10.7.1969.

¹⁵ OJ L 230, 5.8.1982.

Personnel and administration

Refusal to grant officials of the European Communities premiums for the purchase and renovation of buildings (Belgium).

Budget

Recovery of own resources not paid owing to the exemption of services supplied by transport undertakings to the Federal Post Office (Germany).

Recovery of own resources not paid owing to the irregular importation and delivery of high-value hides (France).

Recovery of own resources not paid owing to infringements concerning the levy on alcoholic beverages and manufactured tobacco (France).

Recovery of own resources not paid owing to the reduction of the tax base (France).

Recovery of own resources not paid owing to the exemption of services supplied by the medical and paramedical professions (United Kingdom).

4. Statement on the Netherlands' term as Council President

Strasbourg, 16 January 1986¹

3.4.1. 'I should like to outline the aims which ought to be initiated and guided by the Netherlands Presidency. This I am doing in the express hope that the European Parliament can state its views so that we can take them into account to good effect.

Before embarking on this description, however, I should like first of all to give a warm welcome to the members of your Parliament on behalf of the new Member States, Spain and Portugal, and to wish them well in the constructive and meticulous performance of their duties here. Quite apart from the other priorities which will be marking our period of Presidency, I regard it as one of the first tasks of the Presidency to help the new Members of our Community fit into the greater European whole. The new Member States can at all times count on my assistance and that of my colleagues chairing the various committees.

It is, as usual, Luxembourg who has handed over the torch of the Presidency to the Netherlands. It is not without some diffidence that I have taken over this torch, for my friend and colleague from Luxembourg, Jacques Poos, and with him the other members of the Luxembourg Government, has disposed of an exemplary amount of work in these last six months as President of the Council—an achievement which it will not be easy to match.

What, then, are the principal issues which will demand our attention over the coming six months and what are the intentions of the members of the Netherlands Government in this area?

I have no hesitation in giving priority to the thorny subject of institutional relations in the Community, and particularly relations between the Council of Ministers and this Parliament. It is a relationship which is in urgent need of improvement, for I am convinced that if we were to let things take their course, the effectiveness and credibility of the Community would suffer irreparable damage. It is therefore the Netherlands Presidency's aim to attempt to improve relations between the Council and Parliament, making maximum use of all available possibilities. Differences in viewpoints and differences in ultimate goals may, as I can understand perfectly well, appear to be unbridgeable in the short term. But in practical Community cooperation, and for the sake of pragmatic decision-making, which is our goal, constructive cooperation between these two institutions is essential, and I shall do the utmost to promote it.

The instrument available to date include the conciliation procedure, as it is known. This provides valuable possibilities. Whenever you may evince the need for consultations, the Presidency will ensure that these take place, and will do so in a

¹ Speech in Parliament by Mr H. Van den Broek, incoming President of the Council, on the Netherlands' programme for its six-month term.

way which ensures a genuine dialogue between the Council and Parliament. This will be a genuinely spontaneous and multi-faceted exchange of views, in which as many members of the Council as possible will take part. I myself, and this applies equally to the other Netherlands Presidents of the Council, will willingly take part in meetings of the Parliament's committees, at which I hope to find the opportunity for informal and thorough discussion of the topics which will occupy our attention.

In accordance with the Treaty, this partnership is particularly apparent in the responsibility which Parliament and the Council jointly bear for establishing the Community budget. But here I am touching upon a subject which is currently overshadowed by a dispute between your institution and mine. Since this dispute over the 1986 budget has been placed before the body which will give a final and definitive judgment in the matter, I need not go into this problem in any greater detail at the moment. The Council is convinced that is right in this matter, but I accept that Parliament is equally convinced that it is right.

I hope that this dispute can be classed as one of those creative clashes which result in progress and coming together. It is my constant and ardent wish that it should not stand in the way of fruitful cooperation in laying the foundations for the 1987 budget. I refer in particular here to the rules which the Council has laid down for itself for applying budgetary discipline. The agreements as to budgetary discipline, and particularly those concerning the overall indication of the total level of expenditure, constitute a policy instrument which I am persuaded will prove their worth when *both* branches of the budgetary authority discuss this matter in mutual consultations. This does not therefore concern only the category of non-compulsory expenditure, but also compulsory expenditure. It is also my hope that we may now succeed in bringing about a significant dialogue between Parliament and the Council about the reference framework for the 1987 budget. I have already requested the European Commission to make available necessary for that purpose.

It is only a short step from relations between Parliament and Council to the second priority of the Netherlands Presidency, as I see it. What I mean is the completion of the process begun by the European Council in Milan of revising, supplementing and modernizing the Treaty of Rome.

As promised, I will discuss in detail with you the assessment of the outcome of the Intergovernmental Conference. For the moment, let me just say that I should be especially sorry if the acute disappointment felt by some of you were to tip the scales towards a negative assessment. That would

give a most unwelcome boost to "Europessimism" which I abhor, and for which I see no objective justification; I would suggest that on the contrary we give these new achievements a chance and keep our sights set firmly on the future, in the knowledge that European integration and the Community in which it is embodied is constantly on the move and must continue to be so.

Accordingly, the Netherlands Presidency has decided to bring the Intergovernmental Conference to a formal close in the near future with the signing of the agreements reached. There is no point in continuing indefinitely with the Treaty, which in my view is an enterprise crowned with modest but significant success. There is no indication that to prolong the process would produce a different result. I therefore intend that the signing should take place alongside the forthcoming meeting of the general affairs Council. It is my own keen and earnest hope that this signing will take place with benefit of an opinion from this Parliament. I expect that opinion to be critical and severe but hope that the positive and promising aspects will predominate in the final analysis.

I shall now enumerate a number of policy and substantive aspects which we shall have to deal with the coming six months. As I have already said, for lack of time I can only touch briefly on these points.

I would first and foremost refer to the completing and perfecting of the internal market. The Netherlands Presidency knows that it has the support of all members of the Council in giving this objective top priority.

State Secretary Van Eekelen, who will be President of the five internal market Councils which we have planned for the coming six months, was able the day before yesterday to have a far-ranging exchange of views with you on these problems. He took that opportunity of letting you know how three successive Presidencies—Luxembourg, Netherlands and United Kingdom—have put their heads together in order to ensure maximum continuity of inspiration and guidance in the activities in question. This constitutes an advanced form of cooperation in an attempt to offset the disadvantages of the quick succession of Presidencies, something which has not, to my knowledge, hitherto been tried in this form.

The internal market also covers freedom to provide services and free movement of transport. You will not be surprised to learn that the Netherlands Presidency has placed these matters high on its list of priorities as well. The enormous importance of the transport sector was recognized long ago, in the Treaty of Rome, although this did not obviate the need for steps to be taken by your Parliament

and the Court of Justice in order to achieve some progress in this area.

I would also include technology policy in the internal market context. The Community's main task now is to embark on preparations for a new multi-annual programme in the field of technological cooperation, and the Presidency considers it very important that this should be done in a way which makes it possible to give a real content to the concept of a European Technology Community.

Of the many topics with which a Presidency has to deal, I shall mention another two: agricultural policy and environmental policy. Agricultural policy will, as usual, occupy a considerable part of our attention and efforts in the first half of this year.

The Netherlands Presidency will do everything necessary to see that, *inter alia*, decisions are taken in this whole major and complex area by the deadlines which have been set.

Finally, I would like to refer to environmental policy, which enjoys great public interest. The Netherlands will adopt a vigorous approach to the major topics in the fields of air pollution, water pollution and the disposal of dangerous waste.

Although the above topics are primarily concerned with the Community's internal policy, equal importance is to be attributed to the many external policy topics with which the Community will have to deal in the coming months. Trading relations between the Community and other partners in the industrialized world will require very close attention from the Council of Ministers, with preparations for the next round of GATT negotiations in prospect. The Community will be required to make an important contribution to that round, as this will determine the climate of world trade in coming years. In trading policy we must steer a well-thought-out and careful course designed to secure the defence of our legitimate economic interests which will at the same time help to restore and further develop free trade in accordance with the rules of the GATT.

And now a word about political cooperation. If Europe wishes to further its own interests to the full internationally, if it wants to be a force in the world, to be able to play a constructive role internationally, it must endeavour as far as possible to speak with one voice. The ongoing consultations in the context of European political cooperation are moving towards that objective. The sounds of discord heard in the past are slowly giving way to harmonious agreement. This is a process of organic growth: a fleeting glance shows very little movement but observation over a longer period reveals unmistakable progress.

What is this all about? It concerns the future position which Europe will adopt in the world. What, for example, will our international role be in the year 2000? Will we allow ourselves to be carried along passively on the tide of history? Or do we intend to take our common destiny into our own hands, in so far as that is given to mere mortals? The answer to this question depends on many factors: some of these are beyond our control, but there are also factors which we ourselves can influence. We shall have to focus our energy on the latter category. In this context, European political cooperation plays an important role. It breeds a European habit, a conditioned reflex of European thinking in the field of foreign policy. Here, political cooperation will have to be extended, so as to be confined less and less to the adoption of common positions as a reaction to the events bearing down upon us. Instead, it should increasingly concentrate on independent action and initiatives geared to the future.

The Netherlands Presidency will also specifically endeavour to ensure that the mutual exchange of information between your Parliament and European political cooperation is possible on as regular and fruitful a basis as possible, in order to bring about a genuine dialogue. We and you act separately far too much. In our cooperation, the aim should not merely be to inform one another of our respective positions. Rather, this will involve listening to each other, on the basis of the real situation obtaining at the time, getting accustomed to each other's positions, supplementing them and, in some cases, concurring with them, so as to increase the ultimate effect of our action.

A practical example of this could be the treatment of your institution's recent resolution on the human rights situation in the world. Although the present human rights situation still provides a sombre picture in many countries, favourable developments have been detected in recent years in that international recognition of the significance of human rights has gained ground and governments have become more approachable on the subject. The Twelve should make an energetic contribution towards this process.

The terrorist atrocities of which innocent citizens are time and time again the victims emphasize the need for cooperation in combating international terrorism. No end whatsoever can justify such outrages, and the Twelve have on many occasions strongly condemned such actions. There must be close consultation and coordination between European countries if terrorism is to be combated effectively.

With your permission I shall now review a number of external policy areas which in the coming year will undoubtedly be the focus of attention both

for you and for political cooperation. Here I am thinking of the Middle East, East-West relations, southern Africa and Latin America.

In the Middle East the Arab-Israeli conflict is of central importance. Despite recent terrorist atrocities there have been some encouraging developments, such as the speeches by King Hussein and Prime Minister Peres to the General Assembly of the United Nations.

The Netherlands Presidency will follow up any positive developments in the region with a view to promoting the peace process and helping to bring about negotiations between the parties concerned.

The same applies to the war between Iraq and Iran which has now gone on for six years. In particular, the efforts of the UN Secretary-General deserve our support.

The summit meeting between Reagan and Gorbachev has opened up possibilities for an improvement in East-West relations. Europe must play its part in sustaining that momentum. This first step towards *détente* in relations between the United States and the Soviet Union, between East and West, must be grasped as an opportunity for practical steps towards a more peaceful world. The problem of arms control naturally plays an extremely important role here. But there is more to East-West relations than that.

Regional questions, such as Afghanistan, must also be taken into consideration, and the CSCE process has long been of particular concern in political cooperation proceedings. For the balanced fostering of peace in Europe, non-military aspects, namely human factors, also deserve full attention.

A third area requiring particular attention is southern Africa. I am of the opinion that the Community package of restrictive and positive measures concerning South Africa, as announced on 10 September 1985 and elaborated in greater detail in the past months, taken together with the EEC code of conduct,¹ which has been strengthened in the mean time, form a sound basis for European policy towards South Africa. That policy is directed at furthering the peaceful transformation of South African society into one community in which apartheid and all its manifestations are a thing of the past.

The problems besetting southern Africa will be a matter for profound reflection during the ministerial meeting of the front-line States with the Twelve and the Commission in Lusaka at the beginning of February this year.

The area for priority attention to which I turn last is Latin America. In Central America the situation has not grown any rosier now that the Contadora process has just about ground to a halt. The policy of the Ten, now the Twelve, has always been directed at backing peace initiatives from within the region itself. The Cooperation Agreement signed in November between the European Community and the countries of Central America and formalization of the political dialogue² affords the Twelve jump-off points from which to give an impetus to regional peace initiatives wherever possible.

The situation in Chile also needs our attention.

In concluding this brief outline, I am all too aware that many important topics have not been broached.

Let me try to sum up our position on this vast range of activities. When I look back at the recent past, I have the impression that we as a Community have spent much time and energy on matters of a general and almost constitutional nature. I am thinking here of the Solemn Declaration of the European Council in Stuttgart, and the discussions on European Union, which were given most cogent form in the report bearing Mr Spinelli's name and led to the setting up of the Dooge and Adonnino Committees, resulting ultimately in the Conference on the revision of the Treaty of Rome. I am also thinking of the decisions taken on financial arrangements in the Community and own resources, the accession negotiations with Spain and Portugal and the treaty on political cooperation. All these enriching exercises have led to decisions which have changed, and in my view strengthened, the structure of European integration.

The time has now come, however, when our full attention must again be given to work on regulations, directives and decisions, and in the case of political cooperation, the development of Community policy and, whenever possible, action. Following the taking of constitutional and structural decisions, there is now above all a need for practical decisions to implement the new possibilities and the good intentions they represent. With this in mind, I express the hope that the six months of the Netherlands Presidency will be marked by a high level of decision-taking, in both quality and quantity. Cooperation with the Parliament is indispensable here.³

¹ Bull. EC 11-1985, point 3.4.1.

² Bull. EC 11-1985, point 1.2.1 *et seq.*

5. Eurobarometer

Public opinion in the European Community, Spain and Portugal at the end of 1985

3.5.1. The latest Eurobarometer survey published by the Commission was carried out between 8 October and 5 November 1985.¹

A few months ahead of the actual date of enlargement, this Eurobarometer was the first systematically to include Spain and Portugal.

It is divided into four chapters:

(i) The mood of Europeans, meaning their state of mind and, in particular, what they expect of the

future and how they feel about their personal situation and the situation of their country.

(ii) A people's Europe, meaning the feeling of identity with Europe and the importance attached to its symbols.

(iii) Attitudes towards Europe and the European Community.

(iv) The European Parliament. The questions focus on the public's knowledge and assessment of the institution, the importance attached to Parliament's role and the part which people wish to see it play in future.

¹ *Eurobarometer* No 24 (Brussels, December 1985).

