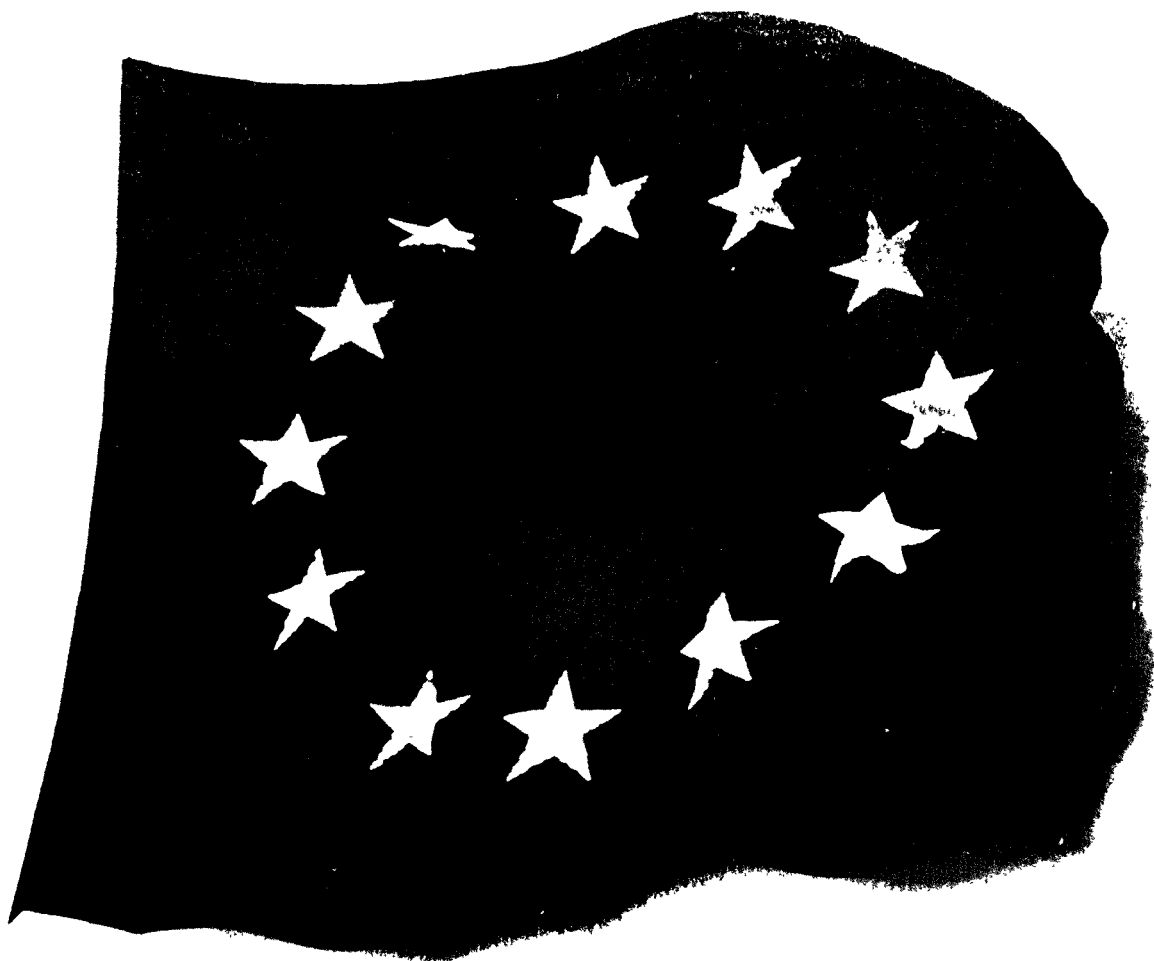


Bulletin of the European Communities

Commission



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No 1 1987 Volume 20

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Commission

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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. Sir Henry Plumb: new President of the European Parliament

Election of the President

1.1.1. On Tuesday 20 January Sir Henry Plumb (ED/UK) was elected President of Parliament to serve until the 1989 elections. He was elected on the third ballot by the narrow margin of 5 votes, receiving 241 votes to 236 votes for Mr Barón Crespo (S/Spain). In the third round 493 votes were cast but the 16 blank or spoiled papers meant that an absolute majority was 239 votes out of 477.

In the first three rounds of voting an absolute majority of the votes cast is required for election.

On the first ballot, Mr Barón led with 209 votes to 199 for Sir Henry. Mr Pannella (NI/Italy) obtained 61 votes for his 'federalist' candidacy, which included the votes of the Liberal Group, probably some Irish and some southern PPE and Portuguese RDE members.

Mr Staes (ARC/Belgium), with 14 votes, withdrew. On the second ballot, the Liberals supported Sir Henry and Mr Pannella's vote fell to 35. He then withdrew, declaring his personal support for Mr Barón.

Table 1 — Results

	1st ballot	2nd ballot	3rd ballot
Sir Henry Plumb	199	233	241
Mr Barón Crespo	209	219	236
Mr Pannella	61	35	—
Mr Staes	14	—	—
Blank or spoiled papers	4	7	16

The new President

1.1.2. Sir Henry Plumb, born in 1925, is a farmer. He was President of the National

Farmers' Union from 1970 to 1979 and Chairman of the Committee of Agricultural Organizations in the EEC from 1975 to 1977. Elected Conservative MEP for the Cotswolds in 1979, he became Chairman of Parliament's Committee on Agriculture and Chairman of the European Democratic Group in 1982.

Election of Vice-Presidents

1.1.3. The following (in order of precedence) were elected Vice-President:

Mrs Pery	(S/France)
Mr Alber	(PPE/Germany)
Mr Barón Crespo	(S/Spain)
Mr Seefeld	(S/Germany)
Mr Clinton	(PPE/Ireland)
Mr Didò	(S/Italy)
Mr Dankert	(S/Netherlands)
Mr Fanti	(COM/Italy)
Mr Romeos	(S/Greece)
Mr Megahy	(S/UK)
Mr Formigoni	(PPE/Italy)
Mr Musso	(RDE/France)
Mr Perinat Elio	(ED/Spain)
Mr Amaral	(LDR/Portugal)

Speeches

1.1.4. Immediately after his election, Sir Henry addressed Parliament, as did Mr Natali, Vice-President of the Commission. The following morning, 21 January, Sir Henry made a statement setting out his objectives and beliefs.

Sir Henry Plumb (remarks after election)

'Firstly, colleagues, may I thank you all for the tremendous support you have given me. ... I would like ... — if I may be forgiven on this occasion — to thank my wife ... for allowing me to stand for this very time-consuming and tough job that lies ahead over the next two and a half years. I would like to thank all those who supported me in electing me to this position of great responsibility and

to those who did not support me I make an absolute promise that I am here to represent the whole of the Parliament, whatever our political interests may be.

...

But, colleagues, I realize, as you will, that I am following a long line of very distinguished presidents who have held this office.

There has been none more distinguished than the President who has vacated this seat — Pierre Pflimlin.

...

He brought, of course, that wealth of experience and of human dignity to this office that it will be extremely difficult to emulate. I would therefore like to thank him for the great contribution he has made to the work of this Parliament, his total commitment as our leader and I pledge myself to continue to try to represent not just the aspirations but the preoccupation of the people who have elected us to do a job in this Parliament.

Let me say here and now to those who still perhaps have doubts about my European identity: I was born an Englishman. I shall die a European ... an English European, believing in the same ideals as the French Europeans, the Italian Europeans, the German Europeans and so on.

... We all have a country in which we live — a country and a continent. Our common continent is Europe and that is where I belong and I will try to represent your interests in European terms, in leading what I believe can and must grow into the greatest institution in this great world of ours. Thank you again for your tremendous support. I hope that I have an opportunity of setting out before the House tomorrow morning at 9 a.m. my objectives and my beliefs because I think it is right that I should take that opportunity so that we all know exactly where we stand before I proceed to preside over the various developments that take place during the week.'

Mr Natali, Vice-President of the Commission

'... If you will allow me to say so, Mr President, you and I have a decade of European service in common. A long, enthusiastic period — a third of the lifetime of this Community — during which there has been no lack of opportunity — institutional or otherwise — for meeting, dialogue and cooperation between us; and during which both I and my colleagues on the Commission have seen for ourselves the stuff of which proverbial British pragmatism is made, especially when such a

necessary quality is found in happy combination with a deep-rooted idealism, such as has been echoed also in your words today. It is that same idealism that has made you a convinced and active supporter of your country's membership of the Community, and that has continued to inspire your activities in this Parliament.

... The democratic ritual that you have celebrated today also assumes a very special significance in the light of the new institutional dimension that has been opened up with the adoption of the Single Act. The scope of this reform has been variously appraised — whilst some see it as being over-modest, for others it constitutes the most that can at the present time be obtained in the way of concessions from the Member States. For its part, the Commission has always made clear its desire to view the Single Act as a dynamic compromise, the results of which must be judged on the facts, as the application of the reform gets under way. Undoubtedly, the acid test will be the use which the Council actually makes of qualified majority voting, in those cases where this is provided for by the Single Act; but a great deal also depends on the functioning of the so-called cooperation procedure, which was called for and was agreed to in order to give the European Parliament a more substantial function in the legislative process and in the revival of the building of Europe.

In recent months your Assembly has already done a first-class job in adapting its own Rules of Procedure and its own system of working to the new institutional discipline. The Commission, in the person of Peter Sutherland, has followed your work very closely, and moreover will have its own contribution to make, now that we have to put the new cooperation procedure into practice, and thus try it out. We are all aware that the success of this reform for the good of Community life must in fact be guaranteed by the capacity for dialogue and mutual collaboration that our respective institutions continue to show, whilst at the same time respecting their reciprocal prerogatives. If certain rules are found to be inadequate, and until certain automatic routine procedures are improved, it must be possible for us together to make up for these deficiencies and generous helpings of flexibility and pragmatism — two inevitable, essential components, these, of a process of democratization the final, implicit aim of which is to bring European society ever closer to the time and place where the decisions that concern it are taken.

I am sure that, under your guidance, Mr President, this Assembly will not fail to confirm and renew its own commitment to this process, the still unexplored potentialities of which have it in their power to improve — as we all hope they will — the institutional aspect of our Community. ...'

Leaders of political groups

1.1.5. Mr Arndt, chairman of the Socialist Group, stated that, while Sir Henry's majority had been very slim, compromises and larger majorities should be sought when other decisions were taken. The leader of the PPE Group, Mr Klepsch, noted that his group had contributed more than any other to this election through its massive and solid support. The election of a Briton as President of Parliament showed that Europe had reached a new maturity. The leader of the Communist Group, Mr Cervetti, noted that the communists had acted loyally in supporting a candidate of the left, who had, he observed, also secured votes from elsewhere in the House. Mrs Veil, for the Liberals, stated that her group had supported Sir Henry, if only from the second ballot, and began by paying tribute to Mr Pflimlin, who had, she said, done all in his power to make the Single Act less disappointing than it turned out to be. Turning to Sir Henry, she stated that the House knew that through him it could assert its powers. The chairman of the European Renewal and Democratic Alliance, Mr de la Malène, said that his group had supported Sir Henry, who would, he hoped, contribute to a much-needed improvement in Parliament's image. Speaking for the Rainbow Group, Mr Vandemeulebroucke expressed the hope that the new President would continue to demonstrate his characteristic fair play to the small political groups. The chairman of the European Right, Mr Le Pen, said that his members had voted for Sir Henry in all three ballots and were pleased that in doing so they had become part of the political majority in the European Parliament.

Statement by Sir Henry Plumb (21 January)

'... The spirit and the motive force of this Parliament springs from the sturdy rock of democratic legitimacy. We do not deserve to be elected as Members of Parliament if we do not have a profound respect for this concept, a concept which is the basis for political freedom in all our countries and which also provides the strongest guarantee

against the forces of reaction and dictatorship prevalent in other parts of the world and indeed in other parts of Europe.

But there is a third provision generated by the respect for democratic legitimacy, and this is an institutional provision. Of all the Community institutions it is the European Parliament which must develop the most in the next years. The Single European Act was a small but significant step giving the power of initiative to this Parliament and restoring a measure of democratic control to the people whom we represent. We must better realize that this directly elected Parliament, despite the low turnout at the 1979 and 1984 elections, has a perfect right, a responsibility and a duty to point the way forward for the European Community as a whole. This is something that Pierre Pflimlin referred to two and a half years ago as a great mission.

... That mission is still more urgent today. Despite the institutional advances made by Parliament in the last few years, notably through the Single Act and the annual budgetary procedures, this Parliament still has much to do to convince the people of Europe that it is their Parliament and that it debates, pronounces, resolves and votes in their name and not in the name of the governments of the Member States. In real terms we also know that the Member States do not yet feel ready to concede the full implications of our democratic legitimacy, for this will involve a large transfer of competence and of sovereignty to the European dimension.

Our Community must be provided with a better balance, not only as between the Community institutions but also between the European centres and the national Member States. Our progress will for the time being only be made at the slowest rate permitted by the Member States. This is to be regretted. We in Parliament, while learning to live with the very slow rate of progress towards European Union, must also recognize that when progress is made, such as with the Single Act, it is underscored by the knowledge that there are no objections in the Member States which might compromise or even reverse that progress in the future.

History shows us that parliamentary institutions can flourish when two prerequisites are met. Firstly, that there is a need for development and secondly, that they clearly display the political will to meet that need. When we look at the Community today, there is no doubt that the institutional framework needs to be reinforced by a strengthening of the democratic role of this Parliament. It will be up to us to call forth, not once but repeatedly, the political will to discharge our duties to the people of Europe in a way which

enhances the part to be played by this institution in the running of our Community and of its future. It is not just a matter of statutory powers; it is a matter of doing a good job, of pushing the limits of that job ever outwards and of making further development inevitable.

I know that this Parliament will rise to the challenge. I pledge this Parliament to press for the application of a truly democratic principle in the decision-making procedures of the Council by moving towards a greater measure of majority voting.

...

The European Community faces real problems in the years ahead. We are already hearing ... the opening shots in the trade war with the United States of America. The American measures are designed to frighten us into submission. It seems to me that this Parliament should support the Commission in any retaliatory action that is necessary to defend our interests. In many ways, this dispute between the USA and the EEC is like an argument in a children's playground. The Americans would be well advised to recognize that if there is to be a punch-up in the playground, they will get a bloody nose as well as ourselves. And I say that as a friend of America. Just what did we do to deserve these penal trade measures? Our terrible crime ... was the enlargement of the Community to include Spain and Portugal. The American Administration should be challenged to state whether they prefer a united Western Europe or a united Eastern Europe.

In political terms we are justified in complaining about a situation where, for example, the American Government is taxing European gin and brandy more than Russian vodka.

The European Community must be prepared to defend and even extend the principles of Community preference. In truth, nobody would be helped if any compromise with the United States entailed adding yet more unwanted surpluses of grain to our already overflowing stocks. Nobody wins a trade war, but the Community must be prepared to defend its markets, its jobs and the livelihoods of those in the industries most likely to be affected. Outside the region of our problem of plenty lies the massive rural deprivation and poverty of the Third World. For the sake of the underdeveloped countries, we should not grant ourselves the luxury of a trade war. The major food-producing nations of the world should call a halt to these disputes and should agree to come together in a summit meeting on the future of food production, something this Parliament supported some little time ago.

It is to the politicians that people look for leadership, so we must show that we are up to the task

of getting rid of the agricultural surpluses while ensuring that they do not build up yet again. It is on this stark and tragic contrast between the agricultural surpluses of the industrialized nations and the poverty and deprivation of the underdeveloped world that we should all concentrate our minds in this Parliament. Indeed, we are extremely fortunate here in Europe to have the problems of surpluses rather than of rationing or of food deprivation. We have a unique role to play in the development of the Third World and the EEC can be proud of the structure of ACP-EEC cooperation. I hope that this cooperation can soon be extended and strengthened.

Above all, we must lay a secure foundation of real cooperation for the future. Let us not forget that we must bequeath not only our wealth but also our political experience to the next generation of Europeans. In politics this means that we must ensure the permanence of certain benefits which we have been fortunate enough to achieve in our lifetime.

The next European generation, I fervently hope, will be the economic, political and cultural partners on equal terms of what is now termed the Third World. The decisions we make in the next few months may determine whether this becomes a reality or not. Within Europe there is still an enormous job to do if we are to achieve a real common market. It is in this area of the internal market that the Parliament may best be able to use the provisions of the Single Act. There are still some areas of confusion with regard to the final decision in the Council. We must ensure that Parliament uses its opportunities to the full. Our committees, our plenary sessions, our group meetings and our procedures in general ... must change in order to take account not only of the new structure but also the new atmosphere of joint decision-making. One area in which this Parliament has had a direct impact on the Council and on Community legislation is that of the people's Europe. In so many of the concrete and practical proposals emanating from the Dooge Committee, the Council appears to be unwilling to put its money where its mouth was. Simple tenets of classic budgetary control and financial planning should be restated and they should be applied during the decision-making procedure. This ... should happen whenever the Council agrees in principle and in practice to new Community measures.

Too many of the Community's new policies such as the integrated Mediterranean programmes or the Erasmus programme are in severe danger of extinction unless the money is found in the budget. I was personally disappointed that the Single Act did not directly affect any of the budgetary provisions of the Treaty.

Many Europeans wrongly think that Parliament is to blame for the excesses of the CAP, for the lack of decision-making in agricultural policy and for the dereliction of the structural Funds. I would like to see, in any new initiative that might be taken on the powers of the European Parliament, a frank admission by the institutions concerned that the Parliament needs to have real budgetary control over the budget and real financial control over the finances. Without this ... we are shadow-boxing. Too often we make fools of ourselves by pretending that our votes each year in the budget procedure have more than a very marginal impact on the Commission's overall financial priorities. If anyone doubts the truth of what I am saying then they need only to look at the disparity between the Parliament's amendments and the account in the Commission's quarterly statement of their implementation of those amendments.

This year started without an agreed Community budget. Provisional twelfths are bad for the health of the Community, and they should be brought to an end as soon as possible. I therefore appeal to the Council to allow the tiny increase in the maximum rate that would bring about an agreed budget. The difference we are talking about could

have been earned in interest many times over by now. It is indeed ironic and illogical that interest in the Community accounts accrues to the Member States and not to the Community.

I have spoken at length about the budget because it lies at the very centre of our political power and constitutes the nucleus of our political responsibilities. But let us never forget that the interests of this Parliament range over the whole field of Community activities. The Community must move forward or it will die. This is a lesson of nature. The European Community has already established itself as one of the greatest historical and political achievements in the modern world. We did not achieve this by being timid or reticent about new areas of Community policy or activity. We have achieved it by being bold, by accepting — in Robert Schuman's famous words — that the European idea is a revolutionary idea.

We must go forward therefore in this revolutionary spirit which has guided our forebears. The Community was also built on the foundation of mutual trust between Europeans. I consecrate my Presidency to the rekindling of Schuman's revolutionary idea and to the maintenance of the political trust that you have invested in me. ...'

2. Agreement between the United States and the Community on the consequences of enlargement

1.2.1. 'My American opposite number Clayton Yeutter and I have just succeeded in bringing to an end the complex dispute on the consequences of enlargement which has been dividing the Community and the United States for almost a year...

It is pragmatic political solution which in no way alters either party's interpretation of GATT Article XXIV: 6. Our disagreement on that point remains total. However, this solution has enabled us to put an end to a conflict which threatened to become aggravated with damaging consequences for each side...'

These are the terms in which Mr Willy De Clercq informed the press on 29 January that an agreement had been reached

between the Community and the United States with a view to concluding the negotiations held under Article XXIV: 6 of the General Agreement on Tariffs and Trade.¹ The Council formally adopted a decision approving the agreement on behalf of the Community on 30 January.

Mr De Clercq stressed the temporary nature of the concessions made by the Community,

¹ Bull. EC 5-1986, point 2.2.20; Bull. 6-1986, points 2.2.11 to 2.2.13; Bull. EC 7/8-1986, points 2.2.8 and 2.2.9; Bull. EC 9-1986, point 2.2.10; Bull. EC 10-1986, point 2.2.11; Bull. EC 12-1986, points 2.2.9 to 2.2.11.

given that it would take time for the United States to reap the benefits on the industrial side which enlargement would certainly bring, whereas the disadvantage in the agricultural sector was immediate.

The agreement has averted an escalation of the dispute. The United States has suspended application of the retaliatory measures which were due to enter into force on 31 January, and the Community will therefore not need to introduce its planned countervailing measures against imports of residues from the manufacture of maize starch and rice.

The text of the agreement

1.2.2. The agreement reached by the United States and the Community is worded as follows:

I — The United States and the European Community

(i) desiring to bring their GATT Article XXIV:6 negotiations to conclusion on the basis of a reasonable and mutually satisfactory compromise;

(ii) recognizing that the differing interpretations which each party has placed on the provisions of Article XXIV:6 cannot be reconciled;

(iii) recognizing on the other hand that the alternative of major transatlantic trade conflict is not in the interest of the continued close partnership in commercial and economic matters between the European Community and the United States, including the Uruguay Round of Multilateral Trade Negotiations in the GATT; and

(iv) recognizing that the present agreement is concluded without prejudice to the views of either party in respect of Article XXIV:6,

agree to the following provisions:

II — As regards the withdrawal of Spanish and Portuguese GATT concessions, the Community will implement the following dispositions:

A. The GATT bindings of the EC 10 as set out in Schedules LXXII and LXXIIbis will be restored and extended to Spain and Portugal, in view of US recognition of the benefits which would result for certain US exports.¹ Improvements granted to third countries shall also be applied to the US. The duties applied in Spain and Portugal during the transitional period will be those set out in the Treaty of Accession.

B. A reduction of present duty rates will be made on an autonomous basis on the products listed, and in the manner described, in Annex I.

C. As regards corn and sorghum (other than for sowing):²

1. The Community will ensure a minimum annual level of imports of 2 million tonnes of corn and of 300 000 tonnes of sorghum into Spain for consumption from non-EC sources (MFN). To achieve this, reduced-levy quotas shall be applied in Spain and/or direct purchases on the world market shall be made under the Commission's authority. The detailed modalities are set out in Annex II.

2. The commitment in 1. shall apply from 1 January 1987 to 31 December 1990. The quantity for 1987 shall be in addition to any EC obligations remaining with respect to the interim agreement of 1 July 1986.³

3. In order to ensure that such imports of corn and sorghum into Spain are not diverted to other markets, appropriate measures will be taken.

III — The United States and the European Community also agree that:

(i) Consultations will be held on this agreement at any time at the request of either party.

(ii) During July 1990, a major review of the situation resulting from paragraph II of this agreement will be initiated. This review will take into account, *inter alia*:

(a) general trade developments, with particular reference to the evolution of US exports to Spain and Portugal;

(b) agreements on agriculture reached in the Uruguay Round;

(c) the status of implementation of the Treaty of Accession, with the objective of determining at that time what new action, if any, might be appropriate.

(iii) This agreement is without prejudice to the legal interpretations of Article XXIV of either party and both parties reserve full GATT rights including those which would otherwise be time-limited.

¹ This commitment does not apply to fish products on which the EC has not made an offer and which are subject to negotiations with other countries. The United States maintains its principal supplier and substantial interest rights under Article XXVIII for such products. The European Community recognizes that these matters have to be resolved through further negotiations.

² Nimex 10.05.92 and 10.07.59.

³ Bull. EC 7/8-1986, point 2.2.8

IV — Upon approval of, and subject to, the above provisions, both parties declare that this agreement constitutes a mutually satisfactory conclusion of this Article XXIV:6 negotiation.

Annex I to the agreement lists the tariff concessions made by the Community for a four-year period on certain agricultural and industrial products: onions, avocados, seeds, nuts, certain fruit juices, bourbon whiskey, cigars, 11 chemicals, silicon chips, plywood and certain aluminium products.

Annex II sets out the details for corn and sorghum imports referred to in paragraph

II.C.1, specifying that certain quantities of non-grain feed ingredients (corn gluten feed, brewing and distilling dregs and waste, citrus peels and pellets) are to be deducted from the total corn and sorghum quotas.

The Community has also agreed not to implement the provision contained in Article 320 of the Act of Accession, under which 15% of the Portuguese cereals market could be reserved for imports from within the Community.

3. An asset for the Community: the new payment cards

1.3.1. On 19 January the Commission sent the Council a communication on new payment cards,¹ covering an initiative which will make it possible for the European citizen to use his payment card anywhere in the Community. There are many parts to the initiative. The set of measures which the Commission has in mind constitutes a plan of action under which, in 1987, several proposals will be sent to the Council (notably on standardization and consumer protection) and recommendations will be adopted by the Commission (e.g. on the relations between card issuers and traders who accept payment by means of electronic cards).

Scope of the initiative

1.3.2. The new payment cards enable one to withdraw money from cash dispensers and make payments via point-of-sale terminals. The latter already make it possible in several countries to pay for goods via electronic equipment—for instance, at service stations or supermarket cash points. Such systems are operated by the familiar

device of a plastic card, but one with either a magnetic stripe or, in the future, a micro-chip incorporated in it. The initiative is not concerned therefore with conventional credit cards or Eurocheque guarantee cards, but only with cards which serve as instruments of electronic payment, whose use is bound to grow in the future.

For instance, the 18 million or so Eurocheque guarantee cards issued in the Federal republic of Germany are already fitted with a magnetic stripe which in many cases holds enough data to allow the holder to draw cash via a network of cash dispensers jointly set up by German credit institutions. A similar system—GIE Cartes Bancaires—exists in France and covers the whole country. This not only gives access to cash dispensers but comprises an increasing number of point-of-sale terminals and is gradually switching from magnetic-stripe to micro-chip technology, a development which is actively encouraged in France. The large number of cheques issued in France—they

¹ COM(86) 754 final.

account for more than 80% of all cashless payments—and the high costs they involve have given a particular boost to the development of payment cards. In Italy, too, cheques are widely used, and payment cards are consequently making constant progress. The 'carta SI' (Sistemi interbancari) has enabled credit institutions to find a solution that will cover the whole country. A homogeneous national system (Dankort) also exists in Denmark.

Some Member States have two systems (Barclaycard and Access in the United Kingdom, Mister Cash and Bancontact in Belgium) or several (as in Spain). There is a clear trend in these countries towards cooperation between systems, exemplified by the close association in Belgium between Mister Cash and Bancontact.

The Community dimension

1.3.3. It is the Commission's intention to promote such cooperation at international and, in particular, Community level. If, as seems likely, these systems continue to spread, a cardholder travelling from one Member State to another must not be faced with systems that he cannot access simply because the card issued to him in his home country is not compatible with the system in the host country.

This is an important aspect of a 'people's Europe',¹ especially for tourists. For the internal market, too, the integration of payment systems is obviously crucial, if only because payment for goods and services, e.g. in the mail-order retail business, is simplified thereby, and because a transfrontier payment system which functions properly also increases the financial integration of the Community's internal market.

Lastly—and this is the third important Community aspect of the Commission's initiative—one must not forget the technological developments on which the evolution of card payment systems is based. Cash dispensers in the Community currently number some 25 000—a figure which can, in the future, only increase; on top of

this, there are the point-of-sale terminals, and the development of microchip cards requires advanced technology—an area where at the moment the Community still has an advantage over the rest of the world. To exploit the potential offered by a large, integrated market in this field, the most beneficial industrial policy solution would be to introduce compatible systems, equipment and cards that can be used anywhere in the Community.

The case for mutually accessible systems

1.3.4. There is no legal basis for obliging present national and international card-systems organizations to cooperate or offer greater interaccessibility. The often-heard reproach that the Commission is meddling here in an incipient process of development which is technologically complex and raises competition problems, and that it is paralysing that process by imposing rigid rules, is therefore without foundation. Rather, the Commission's communication contains ideas and guidelines which it is up to the payment-card organizations and credit institutions to implement. The Commission simply wants, through its ideas, to stimulate cooperation, which it can promote where the specific Community instruments allow. Market operators themselves must take the steps towards what the Commission calls 'interoperability' (i.e. compatibility of systems).

There seems to be a real chance of this being done.

There are many 'families' at present—e.g. Eurocheque and Eurocard (closely associated), or Cartes Bancaires in France, to name but two—which have decided in principle to embark on cooperation on a reciprocal basis. Even the major worldwide operators—with their roots in America—are beginning to think in terms of possible cooperation (e.g. Visa and Mastercard). The Commission could play a useful role,

¹ Supplement 7/85 — Bull. EC.

notably where private organizations have exhausted their possibilities of action. Exemption from Article 85(1) of the EEC Treaty is one example since, under that provision, agreements enabling card-system organizations to consult in respect of charges or card-issuing conditions would normally be prohibited. With regard to administrative restrictions on payments in those Member States which still apply exchange controls, the Commission could also play an effective part, taking Article 106 of the Treaty as its legal basis for removing any barriers.

Standardization

1.3.5. Technical standards are a particularly difficult area of this initiative. Clearly, a magnetic-stripe card issued in one Member State can give access to cash dispensers or other similar installations in another Member State only if cards are of the same design in both States and, in particular, if the magnetic stripe in both cases is programmed in a similar way. In addition, the networks over which electronic data from card readers is transmitted to an authorization centre or, in the case of fully integrated on-line systems, to the bank which installed the equipment used, or to the bank which issued the card, must be interconnected.

As regards magnetic-stripe technology, it would seem that the problem has already been largely solved. The International Organization for Standardization (ISO) has issued a whole series of standards for magnetic-stripe cards, the application of which, together with efficient connection of networks, has enabled tourists from more than one country in the north of the Community to use their cards in Spain and other Mediterranean countries.

The situation is much more complex where standards for (emerging) microchip cards are concerned. Such standards are currently being discussed by the International Organization for Microcircuit Cards (Intamic) in Paris. The Commission is following these talks closely, and once possible solutions

are discernible, it will be able to ask the competent European standards bodies such as CEN/Cenelec, the European Committee(s) for (Electrical) Standardization, to draw up Community standards.

It is important, in this context, to avoid a common misunderstanding: Community standards are not binding rules of law. They are made available to, but not imposed on, equipment manufacturers and card-system organizations. The job assigned to the above-mentioned standards bodies does have one important legal effect, however, since it creates an obligation, for a limited period, not to devise standards which diverge between Member States. In addition, the Community could, in subsequent legal instruments, refer to such standards, notably when it comes to determining the security criteria which new payment systems will have to satisfy.

Moreover, it is certainly not the Commission's intention, in proposing Community standards for payment systems, to follow a different route to that taken by the major international systems.

On the contrary, the organizations responsible for Community standards are working in close cooperation with the ISO. This is essential if cards issued in the Community are to continue to be valid throughout the world.

Another important industrial policy aspect is that the Community should present a common front in this sphere and try to keep current and future technology in Europe as outward-looking as possible.

Rules on card use

1.3.6. As already mentioned, the Commission does not intend to create obstacles or intervene, through regulations, in a field which is characterized at present by technological change and continuing shifts in competition. In the absence of any rules, however, it might be necessary to take action as regards certain aspects of the use of cards and, in particular, of the legal position of

cardholders and the role of traders in financial transactions at point-of-sale terminals.

Taking the legal position of cardholders or, in other words, consumers, the Commission is planning to draw up a proposal for a Directive, to be put forward in late 1987.

The aim would be to protect consumers in their relations with card issuers and traders who accept this payment medium. The Directive could also cover certain aspects of other contractual relations which arise when an electronic payment is made.

To facilitate the use of payment cards in the internal market, the Commission will

put forward a European code of conduct governing relations between traders or providers of services who accept electronic payments and the card-issuing banks. The code will establish a number of essential principles, such as traders or providers of services to be free to choose, purchase or hire their equipment; each point of sale to have a single terminal, capable of accepting any card; charges to be transparent; payment to be irrevocable; data filed in the system memory to be protected; systems to be mutually accessible; and the competition rules to be complied with.

ACTIVITIES IN JANUARY 1987

1. Building the Community

Economic and monetary policy

European Monetary System

Realignment of 12 January

2.1.1. This month saw a further realignment of central rates within the EMS.¹ The details were set out in the following communiqué:

'On 12 January 1987 the Ministers and Central Bank Governors of EEC member countries have by mutual agreement, in a common procedure involving the Commission and after consultation of the Monetary Committee, decided on an adjustment of central rates within the European Monetary System.

The new bilateral central rates result from the following relative changes:

German mark:	+ 3.0%
Dutch guilder:	+ 3.0%
Belgian franc:	+ 2.0%
Luxembourg franc:	+ 2.0%
Danish krone:	0.0%
French franc:	0.0%
Italian lira:	0.0%
Irish pound:	0.0%

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

BFR	42.4582
DKR	7.85212
DM	2.05853
DR	150.792
FF	6.90403
HFL	2.31943
IRL	0.768411
LFR	42.4582
LIT	1 483.58
UKL	0.739615'

The new parity grid of bilateral central rates and compulsory intervention rates as at 12 January is shown in Table 2.

The communiqué also stated the following:

'With a view to improving economic and monetary cooperation among member countries, the Minis-

ters have asked the Monetary Committee and the Committee of Central Bank Governors to examine measures to strengthen the operating mechanisms of the European Monetary System.'

2.1.2. Analysing this decision, the Commission President, Mr Delors, stated that this time the EMS had had to show that it could withstand a storm originating outside the Community (the dollar's fall and speculation involving the German mark rather than the yen). He felt that the most important outcome of the 12 January meeting—quite apart from the realignment, which was a technical response—was the Ministers' recognition of the need to reinforce the EMS both internally and internationally. Mr Delors added that the EMS had to be given the means to continue on its road.

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2.1.3. On 22 January Parliament adopted a resolution on the European Monetary System (→ point 2.4.9).²

Economic Policy Committee

2.1.4. The Economic Policy Committee held its 176th meeting in Brussels on 15 January with Mr Milleron in the chair. It discussed the formulation of a medium-term public finance strategy for the Member States and the economic policy aspects of the European internal market.

*

2.1.5. On 19 January the Commission transmitted to the Council a communication on the new payment cards, which is designed to liberalize payments in the Community (→ point 1.3.1 *et seq.*).

¹ Bull. EC 4-1986, point 2.1.2; Bull. EC 7/8-1986, point 2.1.4.

² OJ C 46, 23.2 1987.

Table 2 — *Central rates of EMS currencies*¹
(parity grid applicable from 12 January 1987)

		Amsterdam (HFL)	Brussels (BFR/LFR)	Frankfurt (DM)	Copenhagen (DKR)	Dublin (IRL)	Paris (FF)	Rome (LIT)
HFL 100	+ 2.25% central rate - 2.25%	100	1 872.15 1 830.54 1 789.85	90.770 88.7526 86.780	346.24 338.537 331.02	33.8868 33.1293 32.3939	304.44 297.661 291.04	67 912.0 63 963.1 60 241.0
BFR/ LFR 100	+ 2.25% central rate - 2.25%	5.5870 5.46286 5.3415	100	4.959 4.84837 4.740	18.9143 18.4938 18.0831	1.8510 1.80981 1.7695	16.6310 16.2608 15.8990	3 710.2 3 494.21 3 290.9
DM 100	+ 2.25% central rate - 2.25%	115.235 112.673 110.1675	2 109.50 2 062.55 2 016.55	100	390.16 381.442 373.00	38.1825 37.3281 36.4964	343.05 335.386 327.92	76 540.0 72 069.9 67 865.0
DKR 100	+ 2.25% central rate - 2.25%	30.21 29.5389 28.8825	553.0 540.723 528.70	26.810 26.2162 25.630	100	10.0087 9.78604 9.56830	89.925 87.9257 85.97	20 062.0 18 894.0 17 794.0
IRL 1	+ 2.25% central rate - 2.25%	3.0870 3.01848 2.9510	56.5115 55.2545 54.025	2,740 2.67894 2.619	10.4511 10.2186 9.9913	1	9.1890 8.98480 8.7850	2 050.03 1 930.71 1 818.34
FF 100	+ 2.25% central rate - 2.25%	34.36 33.5953 32.8475	628.97 614.977 601.295	30.495 29.8164 29.150	116.32 113.732 111.20	11.3830 11.1299 10.8825	100	22 817.0 21 488.6 20 238.0
LIT 1 000	+ 6% central rate - 6%	1.660 1.56340 1.4725	30.387 28.6187 26.953	1.4735 1.38754 1.3065	5.620 5.29268 4.985	0.549952 0.517943 0.487799	4.9410 4.65362 4.3830	1 000
1 ECU	central rate	2.31943	42.4582	2.05853	7.85212	0.768411	6.90403	1 483.58

¹ The pound sterling and the drachma do not participate in the EMS exchange-rate mechanism. Their notional ECU central rates are UKL 0 739615 and DR 150.792: Bull. EC 5-1983, point 2.1.8, Bull. EC 9-1984, point 2.1.4, Bull. EC 6-1985, point 2.1.7

Internal market and industrial affairs

the achievement of the internal market in services (→ point 2.4.9).²

Completing the internal market

Implementing the White Paper

2.1.6. To follow up the White Paper on completing the internal market,¹ on 19 January the Commission sent the Council a communication on payment cards (→ point 1.3.1 *et seq.*).

2.1.7. On 23 January Parliament adopted a resolution on the economic aspects of

Free movement of persons and freedom to provide services

2.1.8. The Economic and Social Committee delivered its opinion in January on the proposal for a Council recommendation relating to ratification by Member States of the Convention of 25 October 1980 designed to facilitate international access to the courts (→ point 2.4.34).

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

² OJ C 46, 23.2.1987.

Free movement of goods

Removal of technical and administrative barriers to trade

Industrial products

2.1.9. On 19 January the Commission laid before the Council two proposals for Directives on the approximation of the laws of the Member States concerning wheeled agricultural or forestry tractors — one amending the Directive of 4 March 1974 relating to EEC type approval,¹ and the other amending the Commission's proposal of 23 November 1984 for a Directive relating to roll-over protection structures incorporating two pillars and mounted in front of the driver's seat on narrow-track tractors.²

The purpose of the first proposal is to replace the regulatory committee procedure by the advisory committee procedure and to amend certain provisions in the light of experience.

The second is designed chiefly to simplify the technical annexes and make them more comprehensible, in accordance with Parliament's wishes.

Distributive trades

2.1.10. The officers of the Committee on Commerce and Distribution met on 20 January. The members of the working parties on external trade (to meet in March), the internal market (to meet in April) and economic problems (to meet in June) were reappointed, with, as their main rapporteurs, Mrs Kavanag (Netherlands), Mr Lanusse Crousse (France) and Mr Campilli (Italy) respectively.

Industry

Shipbuilding

2.1.10a. On 27 January the Council formally adopted the sixth Directive on aid to

shipbuilding, which it had approved on 22 December.³

Motor vehicles

2.1.11. On 11 December the Commission held a seminar in Brussels on the European side-impact dummy (Eurosida).

The seminar was attended by representatives of the Commission departments concerned, the bodies that took part in the research on behalf of the Commission, the motor industry in the Community and other motor-vehicle-manufacturing countries (the United States, Japan, Sweden and Canada) and the national authorities responsible for motor-vehicle-safety regulations.

The purpose of the seminar was to present the results of work that has led to the development of a dummy representing the human body for use in side-impact tests during the type approval of new prototype cars in order to verify the degree of protection afforded to occupants by the vehicle's structure and safety systems.

The device is the fruit of a large number of research projects carried out by various laboratories and scientific institutions in Europe under the auspices and with the financial support of the Commission, notably the programme of studies, experiments and tests in the field of biomechanics (1978-82) and the study aimed at validating four examples of a prototype standard dummy, which was completed in October 1986.

With a view to translating the results of this work into legislation, the Commission has instructed its ERGA-Passive Safety expert group—which has already set to work—to draw up technical requirements on the basis of which the Commission could propose a directive. Such new draft Community legislation in the motor vehicle safety field will also have to take into account the proposals

¹ OJ L 84, 28.3.1974.

² OJ C 222, 2.9.1985; Bull. EC 11-1984, point 2.1.10.

³ Bull. EC 12-1986, point 2.1.122.

for a side-impact test procedure currently under discussion in the United Nations Economic Commission for Europe at Geneva.

2.1.12. On 23 January Parliament adopted a Resolution on the Community automobile industry (→ point 2.4.9).¹

Businesses

Action to improve the business environment

Business and innovation centres

2.1.13. On 23 January the Commission sent the Council a proposal for a Decision concerning a Community programme to create and develop business and innovation centres and their network.²

The purpose of the proposal, which comes under the action programme for small and medium-sized enterprises adopted by the Council on 3 November 1986,³ is to establish a legal basis for a programme to create business and innovation centres; this programme will run for an initial period of four years.

The programme is designed to provide practical assistance for the expansion of the small-business sector which will create new jobs and provide a means of exploiting the potential for internally generated growth in regions where industry is stagnating or in decline.

Regeneration of the entrepreneurial function and of new economic activities at local level will bring with it the need to link innovative small firms to a wider decentralized system of innovation flows and of markets geared to local needs but operating at European level.

Although business and innovation centres have been promoted in areas covered by Community regional policy, there are a number of geographical imbalances in the

programme, which has not yet been extended to less-favoured areas of Member States, e.g. in Greece, Portugal or Spain.

It is proposed that the Community contribute up to 50% of the total cost of 17.5 million ECU involved in setting up and developing these centres over the four years 1987-90. Financial support could also be given to the European Business and Innovation Centre Network.

VAT scheme for small businesses

2.1.14. At its January session the Economic and Social Committee gave an opinion (→ point 2.4.35) on the Commission's proposal⁴ to amend the Council Directive on the harmonization of the laws of the Member States relating to turnover taxes in respect of the common VAT scheme applicable to small and medium-sized businesses.⁵

Steel

The Community steel industry

Market management

Crisis measures

Minimum-price rules (penalties)

2.1.15. One of the measures taken by the Commission to combat the crisis was to adopt a Decision (in December 1983) setting minimum prices for certain steel products.⁶ Inspections carried out to enforce this Decision revealed a number of infringements, particularly in connection with sales to the motor industry. Consequently, on 9

¹ OJ C 46, 23.2.1987.

² OJ C 33, 11.2.1987; COM(86) 785 final.

³ Bull. EC 10-1986, point 1.3.1 *et seq.*

⁴ OJ C 272, 28.10.1986; Bull. EC 7/8-1986, point 2.1.89.

⁵ OJ L 145, 13.6.1977.

⁶ OJ L 373, 31.12.1983; Bull. EC 12-1983, point 2.1.13.

January the Commission imposed fines on 15 undertakings which had failed to comply with the Decision. The fines were all of the same amount because the infringements were all of a similar formal kind: the companies had failed either to apply for exemption or to submit the requisite documents. The penalties are meant to deter undertakings from ignoring the Community legislation and to remind them that the Commission Decisions are binding. Other similar cases are now being considered.

Organization of the steel market in 1987

2.1.16. Eurofer published the findings of a survey it had decided to conduct among its 20 members and six independent steel-makers. It concluded that the agreement reached between them would allow further capacity closures totalling around 7.6 million tonnes. In addition, the steelmakers interviewed offered to shed a further 1.6 million tonnes of capacity if the Community and the national governments would pay the full cost of the accompanying social measures.

2.1.17. At a press conference after his talks with Eurofer representatives, Mr Karl-Heinz Narjes, Commission Vice-President with special responsibility for industrial policy, commented that the results of the survey were far from conclusive in that they

would not shut down all the enormous overcapacity, which even the most optimistic market estimates put at over 20 million tonnes. At the same time, specific demand for steel has been falling by a steady 2% or so a year and export markets have been contracting owing to the weak dollar. So the structural overcapacity weighing on the steel market was certainly higher. Mr Narjes said that time was running out and gave Eurofer until 1 March to submit a convincing comprehensive plan which could satisfy the diverging demands of completing the internal market, of steel users, of monitoring State aid and, finally, of the foreign trade, social and regional policies.

Market situation

Production

2.1.18. In 1986 crude steel production in the Community (excluding Greece and Ireland) amounted to 124 706 million tonnes, down by 7.2% on 1985. Output decreased in every Member State except Denmark and Portugal, the two smallest steel producers.

2.1.19. Production fell to 9.09 million tonnes in December, 10.7% down on December 1985.

Table 3 gives the figures for each Member State.

Table 3 — *Crude steel production*

	December 1986	% change December 1986/85	1986	1985	% change 1986/85
Belgium	765	— 9.6	9 738	10 694	— 8.9
Denmark	32	— 25.6	633	528	+ 19.9
Germany (FR)	2 235	— 15.5	37 111	40 492	— 8.3
Spain	910	— 31.1	11 977	14 233	— 15.9
France	1 385	— 5.1	17 869	18 815	— 5.0
Italy	1 772	— 5.5	22 868	23 744	— 3.7
Luxembourg	252	— 18.7	3 707	3 945	— 6.0
Netherlands	411	— 11.2	5 282	5 520	— 4.3
Portugal	60	+ 17.6	704	663	+ 6.2
United Kingdom	1 268	+ 8.3	14 817	15 763	— 6.0
Total	9 090	— 10.7	124 706	134 397	— 7.2

1 000 tonnes

Production fell in every steelmaking country in the West in 1986, by 8% (down to 72.861 million tonnes) in the USA and by approximately 6.7% (down to 98.269 million tonnes) in Japan.

According to the International Iron and Steel Institute, world crude steel production fell by 0.7% in 1986, compared with 1985. It contracted by as much as 5.7% in the industrialized West. Yet output increased by 4.3% in the developing countries and by 4.9% in China, Eastern Europe and the Soviet Union. The contrast becomes even more marked when compared with 1980: since 1980 production has fallen by just 0.3% worldwide, plummeting by 13.3% in the industrialized West while rising by 39.5% in the developing countries and by 11.8% in the State-trading countries.

Consumption

2.1.20. Since the start of 1986 demand for steel products on the Community market has slackened appreciably, falling from 8.3 million tonnes in January to 7 million tonnes in September. However, the statistics submitted under the rapid procedure showed that the order intake by the Member States (excluding Spain, Portugal and Greece) from non-Community countries started to pick up in the third quarter of 1986 and then rose sharply in September and October. Over the first six months orders fell by 26.5%, from July to October they rose by 5.8% and in September and October they were up by 19.3%, to give an average decline of 15.2% over the first 10 months of the year.

Employment

2.1.21. The number of steelworkers in the Community (excluding Spain, Greece and Portugal) fell to 393 529 by the end of October 1986 – 5.37% down on October 1985. France suffered the heaviest job losses, (10% of the workforce), followed by Belgium (8%). According to the general objectives for steel for 1990,¹ the 5% or so year-on-year contraction in the workforce observed for the last few years can be

expected to persist until the end of the decade. It could even gain pace, depending on how the market is organized, which is to be decided very soon.

Trade with non-member countries

Imports

External aspects of the crisis measures

Arrangements with non-member countries

2.1.22. In line with the mandate issued by the Council on 15 December,² the Commission pressed ahead with its talks aimed at concluding, or extending the existing, voluntary restraint arrangements with the leading non-Community steel suppliers to cover 1987. The Member States have yet to determine their position on renewal of the special understanding with Japan. Meanwhile, Venezuela has been added to the list of non-Community countries for the first time.

On 21 January Czechoslovakia became the first country to initial its 1987 arrangement with the Community. The Commission insisted on strict observance of the clause to avoid concentration of deliveries on specific products and periods.

Research and technology

Community R & D policy

Framework programme

New programme (1987-91)

2.1.23. On 22 January Parliament adopted a Resolution on the deadlock in discussions

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

² Bull. EC 12-1986, point 2.1.55.

in the Council concerning the framework programme for research and technological development (1987-91) (→ point 2.4.9).¹

Coordination of national policies

2.1.24. Meeting in Brussels on 15 and 16 January, the Scientific and Technical Research Committee delivered a favourable opinion on the proposal for a Council Regulation on a multiannual programme for coordinating R & D in the field of medicine and health (1987-89).² It also endorsed the Commission proposals for R & D programmes relating to telecommunications technologies (RACE programme) (1987-91)³ and to science and technology for development (1987-90).⁴

The Committee discussed in detail the Commission communication concerning a Community plan of action relating to the evaluation of Community R & D activities⁵ and examined the Commission communication on the relations between Eureka and Community research.⁶ In both cases it voiced its agreement with the approach proposed by the Commission.

International cooperation

COST

2.1.25. Memoranda of understanding were signed concerning the following COST projects: 88 (Early detection and identification of plant diseases) — on 15 January, by Turkey and the Netherlands; 306 (Automatic transmission of transport data) — on 15 January, by the Netherlands; 506 (Advanced light metal-based materials for transport) — 22 January, by Finland; 309 (Road meteorology and maintenance conditions) — on 29 January, by the Netherlands and the United Kingdom; and 218 (Materials science and reliability of optical fibres and cables) — on 29 January, by Italy and the Netherlands.

2.1.26. A meeting was held in Brussels on 9 January to coordinate the topics covered

by COST projects 215 (High bit rate optical fibre systems) and 217 (Optical measurement techniques for advanced optical fibre devices and systems) and projects forming part of the RACE programme.

The Management Committee for COST project 219 (Future telecommunications and remote data-processing equipment for the handicapped) held its first meeting in Brussels on 16 January.

Sectoral R & D activities

Industry

New technologies

Brite programme

2.1.27. In the context of the Brite (Basic research in industrial technologies for Europe) programme,⁷ the Commission published a second call for research proposals⁸ in the *Official Journal* on 29 January. This follows an advance notice published in June⁹ and forms part of the second phase of the programme.

During the programme's first phase, in response to a call for proposals published in March 1985,¹⁰ 103 transnational research projects were selected and allocated funds amounting to a total of 60 million ECU.¹¹ The second phase of the programme will make it possible to finance new projects totalling at least 60 million ECU.

¹ OJ C 46, 23.2.1987.

² Bull. EC 10-1986, point 2.1.49.

³ OJ C 304, 28.11.1986; Bull. EC 10-1986, point 2.1.44.

⁴ OJ C 24, 31.1.1987; Bull. EC 10-1986, point 2.1.50.

⁵ OJ C 14, 20.1.1987; Bull. EC 11-1986, point 2.1.44; OJ C 2, 6.1.1987; Bull. EC 12-1986, point 2.1.64.

⁶ Bull. EC 11-1986, point 2.1.42; Bull. EC 12-1986, point 2.1.64.

⁷ OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

⁸ OJ C 22, 29.1.1987.

⁹ OJ C 153, 19.6.1986; Bull. EC 6-1986, point 2.1.63.

¹⁰ OJ C 66, 14.3.1985; Bull. EC 3-1985, point 2.1.148.

¹¹ Bull. EC 1-1986, point 2.1.39; Bull. EC 6-1986, point 2.1.63.

Health and safety

2.1.28. The working party on AIDS set up by the Commission under the Community programme of medical research¹ met in Brussels on 12 January to examine, among other things, the status of research work on heterosexual transmission and transmission from expectant mother to foetus.

The experts also discussed the problems associated with testing substances that could be used in the treatment and prevention of AIDS. Research conducted in Europe since the beginning of the epidemic is beginning to lead to the development of anti-viral substances and vaccines that are potentially effective in combating the AIDS virus and whose properties need to be checked in several stages: rigorous preliminary laboratory tests, experiments on an animal model and, lastly, tests in man. The latter clearly give rise to a number of ethical problems. The European experts decided to set up an ethics committee specifically responsible for studying such matters.

The scale of the problem is evident from the same exponential progression that the disease is following in Europe as in the United States and Africa. At the end of 1986 there were 3 330 notified AIDS cases in the Community, and the number of carriers of the virus is currently estimated at between 200 000 and 300 000. Projections to the end of 1990 arrive at cumulative figures of some 50 000 notified cases and between 2.5 and 5 million carriers. With hindsight, it appears that the likelihood of the latter developing the disease is much greater than was thought in the early stages of the epidemic.

2.1.29. The Commission has been active in the fight against AIDS since the end of 1983, when it took initiatives in the area under the medical research programme (1982-86)¹ and, with regard to the African aspects of the disease, in the context of the programme on science and technology for development (1983-86).² In October 1986 the Commission laid before the Council a proposal for a new medical research programme,³ an important part of which is

devoted to the many aspects of AIDS research, in particular virology, immunology, epidemiology, prevention and therapy.

Telecommunications, information technology and innovation

Information technology

2.1.30. On 19 January the Commission sent the Council a communication on payment cards (→ point 1.3.1 *et seq*).

Promotion of innovation

Sprint programme

2.1.31. On 28 January the Economic and Social Committee unanimously adopted an opinion (→ point 2.4.36) endorsing the proposal for a Council Decision on a two-year extension for and revision of the plan for the transnational development of the supporting infrastructure for innovation and technology transfer (Sprint).⁴

Modernization of traditional industries

2.1.32. The pilot project on the modernization of traditional industries launched under the plan for the transnational development of the supporting infrastructure for innovation⁵ is continuing. It covers the exchange of experience on national modernization policies and the introduction on a trial basis of transnational projects in three industries — footwear, traditional ceramics and textiles.

¹ OJ L 248, 24.8.1982; Bull. EC 7/8-1982, point 2.1.86.

² OJ L 352, 14.12.1982; Bull. EC 12-1982, point 2.1.186.

³ Bull. EC 10-1986, point 2.1.49.

⁴ OJ C 335, 30.12.1986; Bull. EC 10-1986, point 2.1.53.

⁵ OJ L 353, 15.12.1983; Bull. EC 10-1983, point 2.1.32.

On 15 January footwear-industry experts from nine Member States met at Oporto in Portugal under the chairmanship of the Commission to decide on the adoption of specific activities in this industry. The meeting approved two projects relating to the development of technical audit facilities which would be easily accessible to firms (evaluation of the different procedures for cutting supply materials and of sole-attachment methods). The aim is to give the firms concerned a greater understanding of the available, tested techniques, to demonstrate their respective advantages and disadvantages by reference to specific examples and to encourage firms to modernize by providing this aid to decision-making. A third project relates to the preparation of an international list of experts in the industry who can help firms to innovate.

Promotion of information services

Removal of language barriers

Eurotra

2.1.33. Following the Council Decision of 26 November 1986 extending the Eurotra programme to include Spain and Portugal,¹ negotiations were begun with both countries with a view to the conclusion of contracts of association and their full integration in the programme. The contract with Spain was signed on 26 December 1986 and that with Portugal is expected to be signed shortly.

In conjunction with the national centres participating in the research the Commission has prepared a detailed work programme covering the remainder of the second phase. Complete agreement with the institutes involved in the programme was reached at the Eurotra Liaison Group meeting held on 19 and 20 January.

In parallel, and on the basis of close consultation with the Management and Coordination Advisory Committee on Linguistic Problems (CGC-12), the Commission is preparing an evaluation by a panel of experts

of the execution of the Eurotra programme to date. This evaluation should be completed in the course of 1987.

Customs union and indirect taxation

Customs union

Simplification of customs formalities

Community transit

2.1.34. In an exchange of letters signed on 23 June 1986 arrangements were concluded between the customs authorities of Sweden, Norway and Finland and those of the Community Member States, Switzerland and Austria to facilitate transfer between the Nordic and Community transit systems.² The arrangements, which came into force on 1 January, consist of the reciprocal acceptance of loading lists attached to transit documents and mutual recognition of customs seals.

Since these arrangements are of particular interest to international traders, the Commission adopted on 29 January a communication setting out the technical details of the arrangements to ensure that they are widely known.

2.1.35. At the end of December 1986 the Commission presented to the Council a recommendation for a Decision on the opening of negotiations with Austria, Finland, Iceland, Norway, Sweden and Switzerland with a view to an agreement on the application of Community transit arrangements. The recommendation was made in the context of the implementation of the EEC-EFTA Luxembourg Declaration.³

¹ OJ L 341, 4.12.1986; Bull. EC 11-1986, point 2.1.64.

² Bull. EC 6-1986, point 2.1.71.

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

General legislation

Accession to European agreements

2.1.36. On 26 January the Council adopted two Decisions¹ accepting on behalf of the Community the European agreements on the exchange of:

- (i) therapeutic substances of human origin;²
- (ii) blood-grouping reagents.³

These agreements, which were drawn up under the auspices of the Council of Europe, stipulate that Contracting Parties will take all necessary measures to exempt from all import duties products placed at their disposal by the other Parties.

Common Customs Tariff

Nomenclature

2.1.37. For the purpose of ensuring uniform application of the CCT nomenclature, the Commission adopted a Regulation on 28 January classifying certain steel plates in heading No 73.21.⁴

2.1.38. Following the adjustment of the bilateral central rates in the European Monetary System (→ point 2.1.1), the Commission published a notice to the effect that the rates to be used for converting the ECU into national currencies for the purposes of determining the tariff classification of goods and CCT duties were to change from 23 January.⁵

Indirect taxation

Standstill on VAT and excise duties

2.1.39. In the light of the opinion⁶ delivered by Parliament on 9 October the Commission transmitted to the Council on 23 January an amended proposal⁷ for a Directive imposing a standstill on VAT and excise duties.⁸ The amendment taken up

by the Commission is that those Member States which apply a single rate should be able to increase that number to two or three.

Turnover taxes

2.1.40. On 9 February the Commission transmitted to the Council a proposal⁹ for a Directive amending for the third time the Directive of 28 March 1983¹⁰ determining the scope of Article 14(1)(d) of the sixth VAT Directive¹¹ as regards exemption from value-added tax on the final importation of certain goods.

The proposal contains a number of minor amendments to the 1983 Directive. It also incorporates, at Parliament's request, a number of amendments intended to facilitate the importation into one Member State from another of goods of negligible value, printed advertising matter, mint postage stamps, official publications and election material.

With regard to imports of goods of negligible value from one Member State into another, the Commission has also proposed that a mandatory exemption be applied to goods of a total value not exceeding 22 ECU.

Tax exemptions

2.1.41. On 4 February the Commission sent the Council a proposal¹² for a Directive amending for the first time the Directive of 28 March 1983 on tax exemptions within the Community for certain means of trans-

¹ OJ L 37, 7.2.1987.

² Bull. EC 9-1985, point 2.1.33.

³ Bull. EC 6-1985, point 2.1.40.

⁴ OJ L 28, 30.1.1987.

⁵ OJ C 14, 20.1.1987.

⁶ OJ C 283, 10.11.1986, Bull. EC 10-1986, point 2.1.78.

⁷ OJ C 30, 7.2.1987; COM(87) 17 final.

⁸ OJ C 313, 4.12.1985; Bull. EC 11-1985, point 2.1.65.

⁹ COM(87) 21.

¹⁰ OJ L 105, 23.4.1983; Bull. EC 3-1983, point 2.1.44.

¹¹ OJ L 145, 13.6.1977.

¹² OJ C 40, 18.2.1987; COM(87) 14 final.

port temporarily imported into one Member State from another.¹ The proposal, which as called for by the *ad hoc* Committee on a People's Europe, is designed to help complete the internal market by facilitating the temporary importation of vehicles by nationals of Member States and the free movement of people within the Community. It also extends the scope of the 1983 Directive by providing for a number of situations in which the residents of a Member State are permitted to use vehicles temporarily imported from another Member State (rehire of private vehicles, extension of the exemption to members of the family resident in the country of importation, company cars, immobilization abroad and short-term hire). It also extends the exemption to a student's spouse and increases the period of temporary importation from 6 to 9 months in any 12 where professional ties exist in another Member State.

Competition

Restrictive practices, mergers and dominant positions: specific cases

Mergers

Nuova Italsider and Celestri

2.1.42. On 27 January, acting under Article 66 of the ECSC Treaty, the Commission authorized Nuova Italsider SpA to take control of Celestri Srl. Nuova Italsider, a Finsider group company engaged in steel production and distribution, plans to acquire the entire issued share capital of Celestri, a company engaged in steel distribution only in Italy. As a consequence of the transaction, the market share of the Finsider-Italsider group will increase from 27.4% to 28.1%, that is by 0.7%. The merger will not lessen the strong competition prevailing on the Italian market, firstly because of Celestri's very small mar-

ket share and secondly because of the presence of other producers and distributors with national distribution networks and of subsidiaries of large Community groups. The Commission therefore considered that the proposed merger met the requirements for authorization laid down in Article 66(2).

Deutsche BP and Fechner Holding

2.1.43. On 26 January the Commission authorized Deutsche BP Aktiengesellschaft to acquire 45% of the share capital of Fechner Holding GmbH. The latter has a majority shareholding in Bruno Fechner GmbH & Co. KG, sharing control with Europäische Brennstoffhandelsgesellschaft, a member of the Ruhrkohle group of companies, and Stinnes AG, a member of the VEBA group. Fechner KG produces a marketable hard coal from low-grade hard coal products, high-grade hard coal and coal recovered from colliery-tips, and sells this product to power stations and industrial users equipped with suitable furnaces. As Fechner KG does not sell domestic fuel, the merger will have an impact on competition on the relevant market (i.e. the Federal Republic of Germany) only in the field of power stations and other industries. However, Deutsche BP's market share in either case will not increase as a result of the merger to the extent that effective competition within the meaning of Article 66(2) of the ECSC Treaty would be affected. A special feature of this merger may, rather, have a favourable effect on competition in the relevant market, namely the fact that, besides fuel oil, BP has access to considerable quantities of coal originating in non-member countries. It can be assumed from this that the new shareholder will try in future to sell to Fechner KG's customers, who previously covered only part of their requirements with the joint venture's hard coal product, more of its own fuel, be it coal from non-Community countries or fuel oil.

¹ OJ L 105, 23.4.1983, Bull. EC 3-1983, point 2.1.43.

State aid

General schemes

Italy

Aid to flour-millers and pasta manufacturers in Sicily

2.1.44. On 28 January the Commission decided to initiate the procedure laid down in Article 93(2) of the EEC Treaty in respect of assistance which the region of Sicily proposes to grant to flour-millers and pasta manufacturers towards their expenditure on electric power and heat. The assistance would amount to 50%, or in the case of cooperatives 60%, of the annual expenditure on these forms of energy in the years 1985 to 1988. The funds earmarked for the purpose would amount to LIT 8 000 million. The Commission took the view that the aim was to reduce the operating costs of the recipient firms, and that the measures would have very serious effects on competition and trade. This was particularly so as Italian exports of pasta to the other Member States represented 80% of trade in these products within the Community in 1985, and grew by more than 60% between 1981 and 1985.

The assistance was not linked to any sort of investment or restructuring plan, and so did not qualify for any of the exemptions listed in Article 92(2) and (3).

Belgium

Tax arrangements for coordination centres

2.1.44a. On 28 January the Commission decided to terminate the Article 93(2) procedure which it initiated on 18 December 1985 in respect of the tax arrangements for coordination centres operating in Belgium.¹

After the procedure was initiated the Belgian Government brought the legislation into line with the Treaty rules on State aid: Section 44 of the Act of 4 August 1986

extends the arrangement laid down in the Act of 27 December 1984, to which the Commission had no objection, to all coordination centres in Belgium. The extension will apply to the calculation of tax due in the tax year 1988, which relates to income in 1987; the Belgian authorities argued that it would be materially impossible to divide the 1987 tax year into two periods, relating to income before and after 4 August 1986, which would be governed by different legislative provisions, and the Commission accepted this.

The Commission nevertheless expressed its regret that the aid had been granted before it had taken a final decision.

France

Brewing industry

2.1.45. On 14 January the Commission took a final decision under Article 93(2) finding that a low-interest loan of FF 40 million granted by the French Government in 1984 had been unlawfully granted and was incompatible with the common market within the meaning of Article 92 of the EEC Treaty; the loan was paid out of the Industrial Modernization Fund (Fonds Industriel de Modernisation) to Société Européenne de Brasserie, to help finance an investment of FF 181 million.² The Commission stated in particular that the loan included an aid element, but had not been notified to it in good time at the planning stage, and that the investment assisted formed part of a modernization drive which had no innovative character. FIM loans were intended to be used only to promote innovative investment. Investments similar to SEB's had been carried out by competing firms in other Member States without public assistance; and as beer consumption was stagnating or falling, and as there was substantial trade in the industry between Member States, the Commission could not con-

¹ Bull. EC 12-1986, point 2.1.70.

² Bull. EC 2-1984, point 2.1.44; Bull. EC 12-1984, point 2.1.62.

sider the aid compatible with the common market. The Commission accordingly called on the French Government to recover the aid element from the recipient firm.

Regional schemes

France

2.1.46. On 21 January the Commission decided to raise no objection to the creation by the French Government of the three enterprise zones of Dunkirk, La Seyne and La Ciotat. The aim is to help create jobs in areas affected by shipyard closures. Subject to certain conditions, industrial and commercial firms which move into these areas within five years will be exempt for up to 10 years from the profits tax and annual flat-rate tax levied on companies.

However, only as many jobs as are likely to be lost through the closure of the yards will qualify for aid under the scheme in the three areas. What is more, when the scheme has been in force for one year, only firms employing less than 200 wage-earners will be eligible, the aim being to encourage the setting-up of small and medium-sized manufacturing firms, as they are the ones in the best position to employ shipyard workers. The surface area of each enterprise zone must not exceed 300 hectares, comprising one to four sites. Firms located there will not be eligible for the regional planning premium and may not operate in an industry which has excess capacity at Community level (steel, synthetic fibres, shipbuilding, textiles and clothing, flat glass, milk, butter, sugar or isoglucose).

Industry schemes

Brewery plant

Belgium

2.1.47. On 8 January the Commission decided to initiate the Article 93(2) procedure in respect of aid which the Belgian Government proposed to grant towards

investment in the manufacture of brewery plant by the Meura division of Ateliers Louis Carton in Tournai. The aid would take the form of the acquisition of a BFR 39 million shareholding in a new company to be known as Meura Invest, subscription to a low-interest debenture loan of BFR 31 million, and application of the 1959 Economic Expansion Act to investments in the Meura division. Since the object of Meura Invest is to finance investment in the Meura division, the combined net grant equivalent of the three aid elements could be as high as 32% of the total investment.

The Commission took the view that this assistance was liable to distort competition and to affect trade between Member States within the meaning of Article 92(1) of the EEC Treaty; it had no information in its possession to indicate that any of the exemptions to Article 92 would apply.

Textiles

Greece

2.1.48. On 14 January the Commission initiated the Article 93(2) procedure in respect of aid granted by the Greek Government in August 1986 to Piraiki-Patraiki, the largest textile manufacturer in Greece. Debts of DR 30 500 million were converted into equity holdings. The operation was carried out by the National Bank of Greece and the Organization for the Rehabilitation of Enterprises under Act 1386/1983, in respect of which the Commission initiated the Article 93(2) procedure in October 1986.¹

The Commission said that the debt conversion was not linked to an investment, and had the effect that the bulk of the company's capital was now held by the two parties referred to; it constituted State aid within the meaning of Article 92(1), as the capital was provided on terms which would not have been acceptable to a private investor operating under normal market conditions.

¹ Bull. EC 10-1986, point 2.1.68.

Given the scale of its debts, its serious over-manning problem and its obsolescent equipment, the firm was not attractive to private investors.

The assistance did not conform to the Commission policy on rescue aid or to the Community guidelines on aid to the textile industry.¹ It distorted competition by restoring the finances of the company, which was very active in trade within the Community. Lastly, the Commission held that the aid had been unlawfully granted, because it had not been notified in advance.

Shipbuilding

2.1.49. On 27 January the Council formally adopted the sixth Directive on aid to shipbuilding, which it had already agreed to on 22 December.²

Financial institutions and company law

Banks and other financial institutions

2.1.50. On 19 January the Commission transmitted to the Council a communication on new payment cards (→ point 1.3.1 *et seq.*).³

Employment, education and social policy

Employment

Employment and the labour market

Local employment initiatives

2.1.51. Following up the Council Resolution of 7 June 1984 on the contribution of local employment initiatives to combating unemployment,⁴ the Commission adopted on 16 January, for transmittal to the Council, a progress report on action taken

by Member States and at Community level over the past two years, including findings based on research and consultations and proposing further action.⁵

Despite the Member States' favourable attitude towards the implementation of the 1984 Resolution, a number of the measures set out in it appear not to have been acted upon, and the Commission is now proposing certain priority actions.

These will involve stepping up efforts at national and Community level to adapt job-creation measures to the needs of local employment initiatives. They will also be concerned with the provision of Community financing for LEIs, the promotion of workers' cooperatives and other forms of self-managed or jointly managed enterprises and the support of specialized agencies.

2.1.52. A seminar on trade unions and local employment initiatives was held in Chantilly, France, from 15 to 17 January, attended by representatives of the principal trade union organizations from southern Europe and the European Trade Union Confederation and a number of researchers. The trade unions, as a rule not favourably disposed towards new forms of work organization, took cognizance of the development of local initiatives. These are opening up new areas of social experimentation in which the trade unions should also be involved; this requires the unions to redefine their role and their activities. The seminar revealed local employment initiatives to be a reality of which those active in the social field were beginning to take account.

Clandestine work

2.1.53. As a follow-up to the discussion on the problems caused by illicit work in Europe at the European Council held in

¹ Bull. EC 6-1985, point 2.1.51.

² Bull. EC 12-1986, point 2.1.122.

³ COM(86) 754 final.

⁴ OJ C 161, 21.6.1984; Bull. EC 6-1984, point 2.1.45.

⁵ COM(86) 784 final.

The Hague in June 1986,¹ the Commission set up a working party of experts, which met for the first time on 12 January. They discussed the preparation of a report by the end of May on the situation of the underground economy in Europe, awareness of it and possible future developments.

Cooperation between national employment services

2.1.54. In January the Commission approved a major programme of technical assistance relating to the organization of employment services in Portugal. Several Member States (Belgium, France, Italy, Spain and the United Kingdom) will take part in this programme, which is receiving approximately 90 000 ECU in financial assistance from the Commission.

Population censuses

2.1.55. On 13 January the Commission sent the Council a proposal for a Directive on the synchronization of general censuses of population in 1991.² A similar Directive had been adopted on the basis of a Commission proposal for the purposes of the 1981 population censuses in the Member States.

Census material is the basis for many areas of national planning and is as important for the work of the Commission as for that of the national governments. It is clear however that, for the census to be of real value to the Commission, the censuses have to be synchronized and the data presented on a comparable basis. As in the case of the 1981 census, the details of the 1991 programme will be decided with the help of experts from the Member States.

Education and vocational training

Cooperation in education

2.1.56. On 15 and 16 January the Commission convened a meeting of heads of the national units of the Eurydice network, an

information network on education in the Community set up in accordance with the Council Resolution of 9 February 1976 comprising an action programme in the field of education.³ The main items discussed were the creation of computer links within the network and the establishment of a data base on education.

2.1.57. In response to a desire expressed by the Heads of State of the industrialized countries at the Western Economic Summit held in Tokyo in May 1986,⁴ the Japanese authorities took the initiative of organizing a high-level international conference on the future of education in Kyoto on 19 to 21 January. A Commission representative took part in the conference, giving an account of the various Community programmes currently being implemented in the field of education.

Higher education

2.1.58. On 28 January the Economic and Social Committee, which had already endorsed the proposal for a Council Decision adopting the European Community action scheme for the mobility of university students (Erasmus) in April 1986,⁵ delivered a favourable opinion (→ point 2.4.37) on the new proposal the Commission had had to put forward in November after the Council and the Ministers of Education meeting within the Council failed to agree to the earlier proposal.⁶

Vocational training

Adult training

2.1.59. On 14 January the Commission adopted for transmittal to the Council a communication on adult training in firms

¹ Bull. EC 6-1986, point 1.1.2.

² COM(86) 775 final.

³ OJ C 38, 19.2.1976.

⁴ Bull. EC 5-1986, points 1.3.1 *et seq.* and 3.4.1 *et seq.*

⁵ OJ C 189, 28.7.1986, Bull. EC 4-1986, point 2.4.47.

⁶ Bull. EC 11-1986, point 2.1.106.

in the Community.¹ The paper emphasizes the key role of adult training as an innovative means of mastering change within companies. It assesses the present situation in Member States and draws up the basic guidelines for achieving three priority objectives: exploiting experience gained with a view to transfer and dissemination, developing new training materials and methods and encouraging innovation at all levels in collaboration with both sides of industry and those involved directly or indirectly in the training of workers.

New technologies

2.1.60. In accordance with the Council Decision of 24 July 1986 adopting the programme on cooperation between universities and enterprises regarding training in the field of technology,² the Commission has published a guide for applicants setting out Comett³ procedures. The guide⁴ examines in detail the eligibility criteria, the timing and procedures to be followed in submitting Comett projects.

Living and working conditions and social protection

Equal opportunities for men and women

2.1.61. The Steering Committee on Women and Television met in Brussels on 18 January. Senior representatives of television companies in the Community discussed training and career development for women, the statistical situation relating to their employment and career opportunities, the implementation of basic mechanisms and plans and projects for the development of positive action in and through the media. The commencement of a study on the situation of women in radio was announced.

2.1.62. The first meeting of the European Network on Women in Local Employment Initiatives took place in Brussels on 20 January. The Network agreed on the work programme for 1987, which will include the

gathering of information on the development of women's local employment initiatives and on support available to women business creators, and on plans to stimulate the creation of new local employment initiatives by women.

Family policy

2.1.63. The first meeting of the European Child Care Network took place in Brussels on 8 January. The principal topic was the preparation of the first consolidated report, which will provide detailed information on all aspects of child care throughout the Community with a view to the formulation of a series of recommendations for action on the provision of child care facilities.

Social integration of disabled people

2.1.64. From 28 to 30 January the Commission held a seminar in Brussels for consultation in the preparation of its proposals for the organization of transport for the handicapped. Some 32 severely disabled people attended the seminar.

Health and safety

Public health

2.1.65. At its meeting on 26 and 27 January the Council adopted a Decision on Community participation as an observer in the preparatory work for the International Conference on Drug Abuse and Illicit Trafficking (Vienna, June 1987) and at the Conference itself as regards questions falling within the Community's jurisdiction.⁵

¹ COM(86) 780 final.

² OJ L 222, 8.8.1986, Bull. EC 7/8-1986, point 2.1.95.

³ Action programme of the Community in education and training for technology.

⁴ Distributed by the Centre européen pour le management stratégique des universités (European Centre for Strategic Management of Universities), rue d'Egmont 13, 1050 Brussels.

⁵ Bull. EC 7/8-1986, point 2.1.113.

The Decision sets guidelines for a North-South drug campaign by the Community (opening of a political dialogue with producing countries, specific development projects); it also calls for later work covering customs cooperation and the drafting of a new international convention on narcotic drugs.

2.1.66. From 14 to 16 January the Commission organized in Luxembourg a scientific seminar attended by high-level experts from the World Health Organization, the Council of Europe, the Member States, the United States and South America in order to exchange information and experience on cocaine demand, distribution and supply, the treatment of dependency and phenomena associated with intravenous drug use, in particular the spread of AIDS. It was stressed that an overall approach to the drug problem at Community level was required if measures to combat the worsening drug threat were to be effective. Participants laid special emphasis on the importance of prevention and health education. The research effort should also be continued, especially in the field of epidemiology. The number of recorded cases due to intravenous drug abuse has doubled in the space of a year, and a substantial proportion of intravenous drug addicts are infected with the AIDS virus, particularly in the south of the Community, which demonstrates the urgent need for preventive measures.

2.1.67. The Commission held a meeting of national representatives in Luxembourg on 28 January to define priorities for coordinating the campaign against AIDS, following the concern expressed by the European Council in London on 5 and 6 December 1986.¹ The range of measures already taken and planned by the Member States was discussed.

2.1.68. On 22 January Parliament adopted two resolutions on victims of the current cold spell in Europe (→ point 2.4.9).²

Health and safety at work

2.1.69. The *ad hoc* working party on carcinogenic products set up by the Advisory

Committee on Safety, Hygiene and Health Protection at Work³ met on 8 and 9 January and drafted a proposal to which recommended limit values and action levels still have to be added.

2.1.70. The *ad hoc* group on industrial medicine set up by the same Committee met on 20 and 21 January to examine papers drafted on the basis of its earlier work.⁴

Health and safety (Euratom)

2.1.71. Acting under Article 33 of the Euratom Treaty, the Commission endorsed two draft Royal Decrees on radiation protection drawn up by Belgium in implementation of the Council Directives of 15 July 1980⁵ and 3 September 1984.⁶

2.1.72. On 26 January the Commission sent the Council a communication — together with a proposal for a general Regulation based on Article 31 of the Euratom Treaty — on a permanent system for establishing maximum permissible radioactivity levels for drinking water and agricultural products in the event of a nuclear accident (→ point 2.1.127).

Culture

European Cinema and Television Year (1988)

2.1.73. The Steering Committee⁷ for European Cinema and Television Year⁸ held its formal inaugural meeting on 30

¹ Bull. EC 12-1986, point 1.1.19.

² OJ C 46, 23.2.1987.

³ Bull. EC 6-1986, point 2.1.126.

⁴ Bull. EC 3-1986, point 2.1.84; Bull. EC 9-1986, point 2.1.72.

⁵ OJ L 246, 17.9.1980; Bull. EC 7/8-1980, point 2.1.54.

⁶ OJ L 265, 5.10.1984; Bull. EC 9-1984, point 2.1.55.

⁷ The Committee comprises representatives of the Commission, the European Parliament, the Council of Europe, the European Broadcasting Union and the main film associations, plus the chairmen of the national committees.

⁸ OJ C 320, 13.12.1986; Bull. EC 11-1986, point 2.1.127.

January in the Capitol Hill complex in Rome, with Mrs Simone Veil in the chair. The aims of European Cinema and Television Year are:

- (i) to promote awareness, notably in political circles and among cinema/television professionals and opinion leaders, of the importance of a strong audiovisual industry capable of competing with the large-scale industries to be found outside the Community in this field;
- (ii) to ensure that the European identity is reflected in the audiovisual media and encourage creativity via an effort to improve the balance between the larger and smaller cultural areas of Europe;
- (iii) to promote progress in this field within the Community and foster the creation of conditions propitious to the development of the European audiovisual industry;
- (iv) to achieve improved cooperation in Europe as regards the financing, production and distribution of audiovisual programmes and strengthen the links between cinema and television.

At the meeting Mr Ripa di Meana, the Member of the Commission with special responsibility for culture, information and communication, drew attention to the fact that Europe lagged seriously behind the United States in television programmes and risked being 'colonized'. On average between 30% and 50% of the viewing time devoted to series and films was filled by imports from America. With the advantage of a large market, American producers could sell their material for one fifth of the price of a similar product in Europe. The Community should organize itself to offer programme makers the advantages of a single large market and the conditions for growth with a technology which costs more as it gets better. Mrs Veil agreed with this analysis, stating that we should try out new techniques and methods to take advantage of reciprocal benefits and exploit our vast heritage from the past — the audiovisual archives scattered throughout our countries — to transform these national riches into shared wealth. The use of more than one

language in broadcasts should be encouraged to overcome the age-old barriers which divide the peoples of Europe.

Theatre

2.1.74. At the initiative of the Commission, 12 theatre experts met in Brussels on 17 and 18 January to set up a committee to:

- (i) create an international European festival to be held concurrently in several European cities, starting in 1988;
- (ii) seek new forms of co-production between leading European theatres;
- (iii) develop a new system of simultaneous interpretation to enable an international audience to understand theatrical productions from the various Community countries more easily;
- (iv) set up an international European school embracing all the methods for teaching the dramatic arts and theatre management in the Community;
- (v) cooperate with existing international theatre organizations (Theatre of Nations, Théâtre d'Europe, Europalia, European Cultural Foundation, etc.);
- (vi) promote the international co-production of major European works by broadcasting companies.

Environment and consumers

Environment

State of the environment report

2.1.75. To fulfil an earlier undertaking, to Parliament in particular, to supply information providing a sounder basis for assessing changes in the environment in Europe and the impact of the Community's environment and other policies, on 15 January the Commission decided to publish its third (1986) report on the state of the

environment in the European Community. As far as the data available permit, this sequel to the 1977 and 1979 Commission reports charts changes in the environment in the Ten in recent years, especially since the Community environment policy has been in operation. The latest report is the first to do more than simply describe the work being done to implement the policy. In addition, it provides a full picture of the quality of the environment. It includes the results of Commission studies and data from national and regional reports, moulded into an authentic practical aid for workers in this field and a source of information for citizens throughout the Community.

Protection of the Mediterranean basin

2.1.76. The Commission has granted 695 395 ECU towards 10 projects to protect the environment in the Mediterranean region. This will pay between 20 and 50% of the cost of schemes to be undertaken by national authorities and national organizations in close collaboration with the Commission. The 10 projects chosen form part of the first (1986-88) phase of the Mediterranean strategy and action plan.¹ They serve both as examples and to increase public awareness of four areas where action is needed: preservation of endangered species, waste management, effluent treatment and the protection of natural sites.

Prevention and reduction of pollution and nuisances

Air pollution

Sulphur content of gas oils

2.1.77. At the request of Parliament,² on 29 January the Commission amended³ its July 1985 proposal for a Directive revising the limit values relating to the sulphur content of certain liquid fuels (gas oils).⁴

Noise pollution

Building equipment

2.1.78. At its January session the Economic and Social Committee adopted an opinion (→ point 2.4.38) on the proposal⁵ to amend the Directive of 17 September 1984 relating to the permissible sound power level of tower cranes.⁶

Protection and use of resources

Fauna and flora

Washington Convention

2.1.79. Acting under the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora and the Council Regulation of 3 December 1982 on implementation of the Convention in the Community,⁷ the Commission has collected the requisite trade statistics from each Member State and instructed the Wildlife Trade Monitoring Unit to compile the 1984 annual report. This report, the first of its kind, will take the form of an inventory of all trade in endangered or vanishing species, or products derived therefrom, between the Community and the rest of the world. Annexes to the report will set out statistics on trade between non-Community countries and each Member State, except for Ireland and Luxembourg, both of which declared no trade in the species concerned. Wherever possible, the annexes will give details, by shipment,⁸ of the countries with which specimens were traded, the numbers or quantities and types of specimen, their Latin

¹ OJ C 133, 21.5.1984; Bull. EC 4-1984, point 2.1.79; Bull. EC 9-1986, point 2.1.90.

² OJ C 283, 10.11.1986; Bull. EC 10-1986, point 2.1.120.

³ OJ C 41, 19.2.1987; COM(87) 36 final.

⁴ OJ C 205, 14.8.1985; Bull. EC 7/8-1985, point 2.1.119.

⁵ OJ C 267, 23.10.1986; Bull. EC 9-1986, point 2.1.95.

⁶ OJ L 300, 19.11.1984; Bull. EC 9-1984, point 2.1.70.

⁷ OJ L 384, 31.12.1982; Bull. EC 12-1982, point 2.1.105.

⁸ Some Member States were unable to submit figures by shipment this time but will do so for next year's report.

names, their size and sex, the reason for export, re-export, import or introduction from the sea and, finally, the permit numbers.

Consumers

Protection of economic and legal interests

Payment cards

2.1.80. On 19 January the Commission transmitted to the Council a paper setting out a number of technical and organizational measures which — with the cooperation of the banks and other card issuers — should make it possible for payment card holders to use their cards anywhere in the Community (→ point 1.3.1 *et seq.*).

Access to the courts

2.1.81. On 28 January the Economic and Social Committee adopted an opinion (→ point 2.4.34) on the proposal for a recommendation relating to ratification by Member States of the Convention of 25 October 1980 designed to facilitate international access to the courts.¹

Consumer information, education and representation

Medicines

2.1.82. On 27 January a colloquium on a common market in medicines was held in Berlin under the auspices of the Commission, organized by the European Bureau of Consumers' Unions and the Arbeitsgemeinschaft der Verbräucherverbände (German confederation of consumer associations). Its purpose was to examine and clarify the consumer movement's various concerns with regard to the requirements for setting up a genuine common market in medicines by 1992 (prices, conditions of

reimbursement, exports to non-Community countries, etc.).

Agriculture

Council

2.1.83. The first Council meeting of the year on agriculture was held from 19 to 21 January. Following lengthy discussions and after great efforts had been made to find a solution to the agri-monetary problems arising in certain sectors as a result of the last realignment (→ point 2.1.1), the Council approved a Commission proposal on the subject (→ point 2.1.87).

Pending receipt of Parliament's opinion, the Council also reached political agreement on the Commission proposals relating to the distribution of emergency aid as a result of the cold weather (→ point 2.1.85).

It also reached agreement by a qualified majority on the estimates for beef/veal (→ point 2.1.92).

Lastly, the Council adopted a Regulation on the conclusion of Agreements in the form of an exchange of letters between the European Economic Community and (i) the sugar-producing ACP States and (ii) India on the guaranteed prices for cane sugar for the 1986/87 delivery period (→ point 2.2.34).

The Agricultural Situation in the Community — 1986 Report²

2.1.84. The Commission transmitted its report on the agricultural situation in 1986 to the Council, Parliament and the Economic and Social Committee.

¹ OJ C 320, 13.12.1986; Bull. EC 11-1986, point 2.1.135.

² Published in conjunction with the *Twentieth General Report on the Activities of the European Communities, 1986*, available from the Office for Official Publications of the European Communities, L-2985 Luxembourg. Detailed information on trends on the agricultural markets may be found in the Commission paper 'The situation on the agricultural markets — 1986 Report' (COM(86) 700 final).

The report has two parts. The first covers the main events of 1986: the general economic and political context, developments on the agricultural markets, the economic situation for farmers and consumers, the Community's external relations as far as they concern agriculture, policy on agricultural structures, and the financing of the common agricultural policy. The harmonization of national agricultural legislation within the Community framework is the subject of a general review with comments.

Against the background of the current reform of the common agricultural policy,¹ a special chapter at the beginning of the report analyses the ways in which Community agriculture has changed over the past 20 years.

The second part is a sizeable statistical annex providing in a single grouping all the main statistics needed for a proper understanding of the various aspects of Community agriculture: the agricultural economy, the economic situation of farms, agricultural prices, consumption of products, the Community's trade in agricultural products, financial aspects of the common agricultural policy, agricultural structures in the Community, and the market for the Community's agricultural products.

Generally speaking, the overall economic situation showed an improvement in 1986: the sharp depreciation of the dollar and the reverse oil shock lowered import prices, strengthening the growth of real incomes and internal demand without increasing costs.

On the other hand, export demand made only relatively modest progress, mainly because of the slowdown in imports into the United States.

The improvement in the general economic context and the slowdown in inflation benefited European agriculture. Because of the decline in the dollar, the prices of several inputs either increased much less rapidly or actually declined. Therefore, although farmgate prices were still depressed because of the deterioration of the agricultural mar-

kets, the tendency for farmers' purchasing power to decline was brought to a halt, and even reversed, because of the low rate of increase or, more often, the actual decline in input prices.

Weather conditions in general in 1986 did not deviate on any excessive or frequent scale from the averages, in contrast to previous years. They therefore had little influence on agricultural output as a whole.

Other factors affected the agricultural situation unfavourably in 1986. The increase in output in recent years of a number of products (including cereals, milk products, and beef/veal) created market disequilibria and led to a sharp increase in stocks, the impact of which on farmgate prices now exceeds the effect of a single marketing year.

Another factor, at least for certain products, was the serious accident in April at the nuclear power station in Chernobyl. The most vulnerable Member States, and the Community institutions, adopted a set of measures restricting imports and the marketing of certain agricultural and food products.² Only market support measures and aids paid by certain Member States to farmers concerned enabled the impact on farmers' incomes to be limited.

In view of the general slowdown in inflation, the saturation of agricultural markets both inside and outside the Community and the presence of stocks which are their direct consequence, producer prices remained fairly depressed in 1986. According to initial estimates they continued to fall in both the livestock and crop sectors in most Member States.

Emergency measures (cold spell)

2.1.85. In view of the particularly harsh weather conditions in the winter of 1986/87, the Commission decided in January to

¹ Bull. EC 7/8-1985, points 1.2.1 *et seq.*

² OJ L 146, 31.5.1986, Bull. EC 5-1986, point 1.1.3; OJ L 280, 1.10.1986; Bull. EC 9-1986, point 2.1.60.

provide help for people affected by the cold spell.

In those areas where it already has power to act independently (butter, beef/veal, fruit and vegetables, fishery products (→ point 2.1.121), the Commission adopted measures to facilitate the free distribution of intervention olive oil, butter and beef to the poorest sections of the population, through voluntary organizations.¹

For sectors where the Commission has no such powers, the Council adopted Regulations on 26 January,² acting on Commission proposals³ and with the endorsement of Parliament,⁴ providing for the free distribution of flour, sugar and some milk products, with the processing, packaging and transport costs being borne in some cases. The Commission was then able to extend the emergency measures to other milk products such as whole milk, semi-skimmed milk and cheese.²

The measures are to apply until 31 March only. Organizations wishing to participate in the distribution of food must be recognized by the relevant authorities in the Member States.

Judging from available information as to quantities distributed to date, the Commission believes that the operation is proceeding on the whole satisfactorily.

2.1.86. On 22 January Parliament adopted two resolutions on the damage caused by the cold spell (→ point 2.4.9).⁴

Economic aspects of the common agricultural policy

Agri-monetary measures

2.1.87. Following the currency realignment of 12 January (→ point 2.1.1), the corrective factor for calculating MCAs rose from 1.097805 to 1.125696.

Consequently, negative MCAs of about 3 points were created in the Member States

whose currencies were not revalued, with effect from 15 January.⁵

However, for MCAs applicable to pigmeat and poultry products, which are considered to be derived from cereals, the entry into force was set at 22 January⁵ to allow the Ministers of Agriculture to examine the situation of the MCAs in those sectors which are treated as special cases,⁶ as the Ministers of Finance had requested on 12 January. The Council therefore agreed to a proposal from the Commission whereby the amounts in question were actually to enter into force on the date appointed but, as regards the negative MCAs applying to pigmeat in the various Member States, 1.5 points would be dismantled by adjusting the agricultural conversion rates as follows:

- (i) 0.5 point with effect from 16 February 1987;
- (ii) 1.0 point with effect from the beginning of the 1987/88 milk year.

This Council decision was accompanied by a statement from the Commission to the effect that:

- (i) it undertakes carefully to follow developments on the pigmeat market, which has been particularly depressed in a number of Member States, and
- (ii) it is also contemplating taking the necessary measures to alleviate the market situation in the sector in question by means of an appropriate increase in export refunds as soon as possible.

The Council also undertook to take decisions regarding the compensatory amounts for eggs and poultry before the beginning of the 1987/88 milk year.

¹ OJ L 17, 20.1.1987.

² OJ L 25, 28.1.1987.

³ COM(87) 27 final.

⁴ OJ C 46, 23.2.1987.

⁵ OJ L 13, 15.1.1987.

⁶ Bull. EC 4-1986, point 2.1.115; OJ L 144, 29.5.1986; Bull. EC 5-1986, point 2.1.123; OJ L 176, 1.7.1986; Bull. EC 6-1986, points 2.1.170 and 2.1.171; Bull. EC 7/8-1986, point 2.1.138; OJ L 272, 24.9.1986; Bull. EC 9-1986, point 2.1.100; Bull. EC 10-1986, point 2.1.133.

Market organizations

Cereals

2.1.88. On 16 January the Commission amended¹ its Regulation of 7 July 1982 laying down the procedure and conditions for the disposal of cereals held by intervention agencies.² It thereby changed the rules for the resale of intervention stocks both for the internal market and for export. The basic changes relate to the procedure (the decision to put stocks up for sale is in all cases to be submitted for a vote to the Management Committee) and to the rules for the resale of stocks at the beginning of the marketing year for the internal market (the cereals must be sold at least at the intervention price for the previous marketing year plus 11 monthly increases, in order to take account of storage costs and of the need to avoid disturbing the market for the new harvest).

Sugar

2.1.89. On 14 January the Commission amended³ its Regulation of 18 August 1978 laying down detailed rules for the offsetting of storage costs for sugar.⁴ The application of the storage cost compensation scheme to preferential sugar had been suspended during the marketing years 1982/83 to 1984/85 on an experimental basis, and in March 1985 the Council decided to discontinue the application of the scheme to preferential sugar definitively.⁵ That decision called for technical adjustments to the Commission Regulation laying down the detailed rules of application of the scheme. First, a formal updating of the rules was required. Also, special provisions were needed to enable the compensation scheme to apply to sugar which is eligible under the scheme where preferential sugar and eligible sugar are stored together without it being possible to distinguish between them.

Milk and milk products

2.1.90. Following the political agreement reached in the Council in December 1986

regarding the control of milk production,⁶ on 23 January the Commission sent to the Council four proposals for Regulations to consolidate the additional levy and milk quota system in order to achieve a reduction in milk production.⁷

2.1.91. On 29 January the Commission transmitted to the Council the 11th communication concerning the programme for the utilization of co-responsibility levy funds in the milk sector for the 1987/88 milk year.⁸ The programme of specific measures to be financed is given in Table 4.

Table 4 — *Programme of specific measures*

Measures	Allocation (million ECU)
Measures for the promotion of milk products including concentrated butter	26
School milk	80
Butterfat for ice-cream	42
Butterfat for pastry and bakery products	110
Concentrated butter	105
Other butter destocking measures	162
Total	525

The implementation of these proposals depends on both the market and the budgetary situation and outlook.

Beef/veal

2.1.92. On 27 January the Council adopted estimates⁹ for:

¹ OJ L 15, 17.1.1987.

² OJ L 202, 9.7.1982.

³ OJ L 13, 15.1.1987.

⁴ OJ L 231, 23.8.1978.

⁵ OJ L 151, 10.6.1985.

⁶ Bull. EC 12-1986, points 1.2.1 *et seq.* and 2.1.211 to 2.1.214.

⁷ OJ C 33, 11.2.1987; COM(87) 38 final.

⁸ COM(87) 13 final.

⁹ OJ L 36, 7.2.1987; Bull. EC 12-1986, point 2.1.224.

(i) young male bovine animals of a weight not exceeding 300 kg intended for fattening, for the period 1 January to 31 December 1987 (168 000 head in accordance with the traditional breakdown between Member States);

(ii) beef/veal intended for the processing industry, for the period 1 January to 31 December 1987 (15 000 tonnes, comprising 10 000 tonnes under system (a) and 5 000 tonnes under system (b)).

2.1.93. Pending delivery of Parliament's opinion, the Council took a favourable position on the opening for 1987, as an autonomous measure, of a special zero-duty import quota for 8 000 tonnes of high-quality fresh, chilled or frozen beef falling within CCT subheadings 02.01 A II a) and 02.01 A II b).

2.1.94. On 16 January the Commission sent the Council two proposals for Regulations¹ to give effect to the agreement on beef/veal reached by the Ministers last December.²

The first is an amended proposal³ to amend the Regulation of 27 June 1968 on the common organization of the market in beef and veal⁴ and the systems of premiums granted in the sector. This would set up a temporary scheme (to apply from 6 April 1987 to 31 December 1988), restricting intervention and bringing the buying-in price closer to the market price.

The second proposal is for a Regulation laying down general rules applying to the special premium for beef producers. This would compensate for the change in the system by providing that the premium be set at 25 ECU per head, restricted to male animals more than 9 months old and to 50 animals per year per holding.

The other premiums in the sector are to be continued, the suckler cow premium being increased to 25 ECU.

Wine

2.1.95. On 9 January the Commission made certain amendments⁵ to its Regu-

lation of 26 March 1981 laying down detailed rules for the description and presentation of wines and grape musts,⁶ to take account of experience gained and of certain practices and to provide consumers with more information on the origin and nature of the products. The amendments include specifying certain information appearing on labels and correcting or deleting certain names of vine varieties and their synonyms.

2.1.96. On 26 January the Commission adopted a Regulation⁷ supplementing the detailed rules for the distillation of by-products of winemaking for the 1986/87 wine year⁸ by extending the provisions concerning advances on the purchase price paid by distillers to producers after delivery of their products to advances paid on submission of invoices made out for the products in question.

2.1.97. On 27 January the Commission extended⁹ the time limits relating to the submission of evidence by distillers¹⁰ to obtain the release of securities, since they had proved to be inadequate.

2.1.98. At its January session the Economic and Social Committee delivered an opinion (→ point 2.4.41) on a proposal¹¹ to amend the basic wine Regulation.¹²

Tobacco

2.1.99. On 10 January the Commission published¹³ the results of its invitations to tender for the sale for export of 5 886 452 kg of tobacco held by the Greek intervention agency and 2 795 123 kg of

¹ COM(87) 25 final.

² Bull. EC 12-1986, points 1.2.1 *et seq.* and 2.1.219 *et seq.*

³ Bull. EC 2-1986, point 1.3.5.

⁴ OJ L 148, 28.6.1968.

⁵ OJ L 8, 10.1.1987.

⁶ OJ L 106, 16.4.1981.

⁷ OJ L 24, 27.1.1987.

⁸ OJ L 244, 29.8.1986.

⁹ OJ L 25, 28.1.1987.

¹⁰ OJ L 80, 25.3.1986; Bull. EC 3-1986, point 2.1.132.

¹¹ OJ C 243, 27.9.1986; Bull. EC 9-1986, point 2.1.112.

¹² OJ L 54, 5.3.1979.

¹³ OJ C 6, 10.1.1987.

tobacco held by the Italian intervention agency.¹

2.1.100. The Commission also issued an invitation to tender for the sale for export without refund of 5 059 948 kg of baled tobacco from the 1985 harvest held by the Greek intervention agency.²

Legislation

Veterinary and animal husbandry legislation

2.1.101. In January the Council, acting on a proposal from the Commission³ extended the operation of the liaison laboratory for classical swine fever in Hanover for a further period of five years from 8 February 1987.⁴

2.1.102. On 23 January Parliament adopted an opinion⁵ on a proposal for an amendment⁶ to the Council Directive of 21 December 1976 on health problems affecting intra-Community trade in meat products.⁷ Parliament expressed satisfaction that this amendment aims to make meat products intended for intra-Community trade subject to the same health procedures as those already applying to fresh meat. It hopes that all meat products, including those with a minimal meat content, will be subject to health regulations in intra-Community trade. It also considers that rendered fat from animal tissue should be considered a meat product and calls on the Commission to bring forward additional proposals along those lines.

2.1.103. The Economic and Social Committee adopted an opinion (→ point 2.4.40) on the Commission's proposals concerning the eradication of classical swine fever.⁸

2.1.104. The Economic and Social Committee also adopted an opinion (→ point 2.4.39) on the proposal for a Directive laying down health rules for fresh meat and the level of the fees to be charged.⁹

Competition

2.1.105. Under the terms of Articles 92 to 94 of the Treaty, the Commission decided to make no comment on the introduction of the following draft measures which had been duly notified.

Germany

Schleswig-Holstein

Measures for green belts with a view to the protection of the environment.

Rhineland-Palatinate

Interest-rate subsidies on loans for the construction of a public market.¹⁰

Denmark

1987 budget and amended 1986 budget of the fruit and vegetable growers' fund.

France

Aid scheme for producers of bull calves on holdings in financial difficulty.¹⁰

Aid for the transport of weaned calves. This applies to operators who purchase weaned calves in the area affected by drought and who transport them with a view to fattening to areas where fodder is available.¹⁰

Supplementary measures for farmers affected by drought:

(i) defraying of costs for the transfer of feed grain from intervention stores to the departments affected;

¹ OJ C 261, 18.10.1986.

² OJ L 7, 9.1.1987; OJ C 17, 23.1.1987.

³ Bull. EC 11-1986, point 2.1.198.

⁴ OJ L 319, 7.11.1981.

⁵ OJ C 46, 23.2.1987.

⁶ OJ C 349, 31.12.1985; Bull. EC 12-1985, point 2.1.174.

⁷ OJ L 26, 31.1.1977.

⁸ OJ C 295, 21.11.1986; Bull. EC 11-1986, point 2.1.198.

⁹ OJ C 302, 27.11.1986; Bull. EC 11-1986, point 2.1.199.

¹⁰ Opinion transmitted by the Commission to the Member States in December 1986.

(ii) bearing the cost of deferment until 30 June 1987 of that part of the price to be borne by stock farmers in respect of feed grain already delivered.

Italy

Protection of the environment by encouraging vine cultivation (aids providing for vineyard restructuring measures).

Sicily

Budget forecast for 1986 and 1986-88 multi-annual budget. Aids involved are for investments in agricultural production, together with aids for research and advisory services in the field of genetics, for the dissemination of artificial insemination techniques and for combating animal mortality.¹

Marche

Bill No 78 providing finance for regional measures in agriculture (low-interest loans to make ownership easier, operating loans contracted by cooperatives and consortia, subsidies to encourage mechanization and for the construction, extension and modernization of housing for cattle, sheep and goats, securities on rural loans, and funds to supplement electrification programmes in country areas).¹

2.1.106. The Commission decided to initiate the Article 93(2) procedure in respect of 98 aid measures financed by parafiscal charges in the Netherlands, either in respect of the levying of the charges and the use of the proceeds in the case of imported products or in respect of the aid to Dutch agriculture.¹

It also decided to initiate the Article 93(2) procedure in respect of a scheme to aid milk producers in the form of a partial defraying of social welfare contributions in France.¹

European Agricultural Guidance and Guarantee Fund

Guarantee Section

Aid

2.1.107. On account of the exceptional weather conditions obtaining in January, the Commission decided on 14 January to distribute free of charge to voluntary organizations agricultural products (→ point 2.1.85) and fishery products (→ point 2.1.121) which had been the subject of intervention and withdrawal measures.

2.1.108. Following the decisions taken by the Council on 16 December 1986 with a view to better control of milk production² and the supplementary programme to dispose of butter,³ the Commission sent to the Council on 16 January a proposal for a Regulation⁴ amending the Regulation of 2 August 1978 laying down general rules for the financing of interventions by the EAGGF Guarantee Section.⁵

In view in particular of available funds from own resources, this proposed Regulation would spread financing for the programme over four years from 1989.

2.1.109. In implementing the 1986 budget for the EAGGF Guarantee Section, the Commission used all appropriations for advances to Member States, i.e. approximately 22 153 million ECU. On account of the inadequate appropriations at their disposal in respect of 1986, the paying agencies of the Member States were forced to suspend payments in the second half of December. Following a survey conducted among the paying agencies, it was noted that 693 million ECU could not be paid in

¹ Opinion transmitted by the Commission to the Member States in December 1986.

² Bull. EC 12-1986, points 2.1.211 to 2.1.214.

³ Bull. EC 12-1986, point 2.1.214; Bull. EC 6-1986, point 2.1.173 *et seq.*

⁴ COM(87) 6 final.

⁵ OJ L 216, 5.8.1978.

1986 and will consequently have to be met from the appropriations for 1987.

Guidance Section

Aid

2.1.110. Pursuant to Regulation (EEC) No 355/77 of 15 February 1977 on common measures to improve the conditions under which agricultural products are processed and marketed,¹ on 19 and 22 December 1986 the Commission adopted a series of decisions granting aid from the EAGGF Guidance Section.

Aid totalling 283 102 051 million ECU was granted to 687 projects. Generally speaking, the aid amounts to up to 25% of the total cost of the investment in question.

However, for projects in the Mezzogiorno, in the west of Ireland, in all regions of Greece except Greater Athens, in Portugal and in the French overseas departments, the financial contribution from the Guidance Section rises to a maximum of 50% of the total cost of the investment planned. The contribution is 35% for projects in Languedoc-Roussillon and in the departments of Vaucluse, Bouches-du-Rhône, Var, Ardèche and Drôme.

The breakdown per Member State for the second and third instalments for 1986² is given in Table 5.

¹ OJ L 51, 23.2.1977.

² OJ C 301, 26.11.1986; Bull. EC 7/8-1986, point 2.1.178.

Table 5 — *EAGGF Guidance Section aid for projects involving the processing and marketing of agricultural products under Regulation (EEC) No 355/77*

	Number of projects	Aid granted	
		in national currency	in ECU ¹
Belgium	14	BFR 130 882 862	3 013 193
Denmark	15	DKR 9 227 601	1 172 333
Germany	57	DM 23 662 227	11 316 928
Greece	35	DR 8 702 007 981	61 467 447
Spain	194	PTA 8 244 440 097	58 876 241
France	126	FF 226 869 041	33 250 970
Ireland	33	IRL 9 762 101	12 734 083
Italy	82	LIT 88 494 590 189	61 255 072
Luxembourg	—	—	—
Netherlands	16	HFL 10 115 721	4 282 965
Portugal	53	ESC 3 009 744 346	19 704 759
United Kingdom	62	UKL 11 451 921	16 028 060
Total	687	—	283 102 051

¹ November 1986 exchange rates

2.1.111. Pursuant to the Regulation of 30 June 1981 on a common measure to improve the processing and marketing conditions in the cattlefeed sector in Northern Ireland,¹ on 19 December 1986 the Commission adopted two decisions to grant aid amounting to 712 760 ECU from the Guidance Section for 1986.²

2.1.112. Pursuant to the Regulation of 30 June 1981 on an integrated development programme for the less-favoured areas of Belgium,¹ on 19 December 1986 the Commission adopted two Decisions to grant aid amounting to 131 255 ECU from the Guidance Section for 1986.²

In 1985 the Guidance Section paid the Member States 480 million ECU either as reimbursements for expenditure effected in 1985 and partly in previous years, or as advances for 1986 in respect of expenditure to be effected under certain regulations and directives on specific programmes for less-favoured regions.

The reimbursements relate in particular to the 1972 socio-structural directives, the directives and regulations to assist less-favoured regions and the regulations, directives and decisions on the EEC market organizations.

Accession-related measures

2.1.113. On 1 December 1986 the Commission adopted amendments³ to the criteria for selecting projects to be financed under Regulation (EEC) No 355/77 of 15 February 1977 on common measures to improve the conditions under which agricultural products are processed and marketed.⁴

The amendments relate to milk and fisheries, mainly to take account of the accession of Spain and Portugal.

2.1.114. Following the special report of the Court of Auditors on the system for the payment of refunds on agricultural exports,⁵ on 19 January the Commission transmitted to the Council a proposal for a

Regulation on the monitoring of the payment of the amounts granted on export of agricultural products.⁶ The purpose of the proposal is to lay down rules for monitoring exports of products which give rise to payment of a refund or other amount. It requires Member States to carry out a minimum number of physical spot checks, to conduct more analyses of products to check their composition and to carry out more accounting checks involving the recipients of amounts granted.

Fisheries

Resources

Internal aspects

Community measures

TACs and quotas for 1987

2.1.115. On 19 January the Commission approved, for transmittal to the Council, a proposal for a Regulation fixing catch possibilities for 1987 for certain fish stocks and groups of fish stocks in the Regulatory Area as defined in the NAFO Convention.⁸

The purpose of this proposal is to monitor cod fishing by vessels from the Member States in NAFO divisions 2J + 3KL, 3M and 3NO.

National measures

Protection of local stocks

2.1.116. On 29 January the Commission, acting under Article 14 of the Council Regu-

¹ OJ L 197, 20.7.1981.

² November 1986 exchange rates.

³ OJ C 319, 12.12.1986.

⁴ OJ L 51, 23.2.1977.

⁵ OJ C 215, 26.8.1985.

⁶ COM(87) 9 final.

⁷ COM(87) 10 final.

lation of 7 October 1986,¹ took note of three draft United Kingdom by-laws applicable to all or part of the Lundy Island Marine Reserve, which lies off the West of England and falls within the jurisdiction of the Devon Sea Fisheries Committee.

External aspects

Bilateral relations

Guinea

2.1.117. On 19 January the Council formally adopted a Regulation,² proposed by the Commission,³ on the conclusion of an Agreement amending that between the Community and the Government of the People's Republic of Guinea on fishing off the coast of Guinea.⁴

Equatorial Guinea

2.1.118. On 19 January the Council formally adopted a Regulation,⁵ proposed by the Commission,⁶ on the conclusion of an Agreement amending that between the Community and the Government of the Republic of Equatorial Guinea on fishing off the coast of Equatorial Guinea.⁶

Mauritania

2.1.119. On 11 and 12 January negotiations were held in Nouakchott within the framework of the fisheries agreement between Portugal and Mauritania, with a view to extending the validity of the protocol on the application of that agreement, which had expired on 5 January. Portuguese vessels were authorized to continue fishing until 31 March 1987.

Senegal

2.1.120. At its January part-session Parliament approved (→ point 2.4.9)⁷ the Commission's proposal⁸ for a Regulation on the conclusion of a protocol establishing the fishing rights and the financial compensation provided for in the Agreement between the Community and the Government of the Republic of Senegal⁹ on fishing

off the coast of Senegal for the period from 1 October 1986 to 28 February 1988.

Markets and structures

Market organization

Emergency measures (cold spell)

2.1.121. As an emergency measure to help the victims of the cold spell affecting Europe (→ point 2.1.85), the Commission adopted on 23 January a Regulation on the financing of transport costs resulting from the free distribution of fishery products withdrawn from the market.¹⁰

Accession-related measures

2.1.122. On 27 January the Commission amended¹¹ its Regulation of 27 February 1986 laying down detailed rules for applying the supplementary trade mechanism to fishery products.¹²

The purpose of the amendment is to make the existing arrangements more flexible; in particular, any imports into Spain or Portugal of certain fishery products from other Member States are made subject to the presentation of import licences issued in advance by the competent authorities in the importing Member State.

Structures

State aids

2.1.123. The Commission raised no objection to a number of changes in the scheme

¹ OJ L 288, 11.10.1986; Bull. EC 10-1986, point 2.1.174.

² OJ L 29, 30.1.1987.

³ OJ C 294, 20.11.1986; Bull. EC 10-1986, point 2.1.179.

⁴ OJ L 111, 27.4.1984; Bull. EC 3-1983, point 2.1.133.

⁵ OJ C 268, 24.10.1986; Bull. EC 10-1986, point 2.1.180.

⁶ OJ L 188, 16.7.1984; Bull. EC 6-1984, point 2.1.120.

⁷ OJ C 46, 23.2.1987.

⁸ OJ C 292, 18.11.1986; Bull. EC 11-1986, point 2.1.212.

⁹ OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.197.

¹⁰ OJ L 22, 24.1.1987.

¹¹ OJ L 25, 28.1.1987.

¹² OJ L 55, 1.3.1986.

of investment aids for maritime fisheries in metropolitan France. The scheme in question, which covers investment aids for industrial and non-industrial fisheries and for onshore facilities, was introduced by a French Government circular dated 14 January 1983 and was approved by the Commission in June 1983.¹

Only the rates and the scope of the low-interest loans have been altered.

2.1.124. On the other hand, the Commission decided to initiate the scrutiny procedure in Article 93(2) of the EEC Treaty in respect of the measures described below:

(i) A number of aids granted by the Produktschap voor Vis en Visprodukten in the Netherlands. The seven measures in question relate to withdrawals from the market, research and advertising, the products concerned being mussels, shrimps (*Crangon crangon*) and herrings (advertising only). All these measures are financed by the revenue from levies (parafiscal charges) on Dutch products and, in most cases, imported products as well. Since the Commission has no exact data either on the amount levied per product and per taxable person or on the way in which the levies are collected, the compatibility of the levies with Article 95 of the Treaty cannot be assessed, especially in view of the discriminatory effects which might flow from the use to which the revenue is put. The Mussels Fund would seem to constitute a market-support measure whereby a payment would be made from government funds for the quantity of mussels withdrawn from the market. This represents an infringement of the Council Regulation of 29 December 1981 on the common organization of the market in fishery products.² The payment made to traders for tropical shrimps withdrawn from the market is intended to be seen as an insurance system financed from public funds and designed to compensate beneficiaries for the losses which they would normally have had to bear themselves. It is in fact an operating aid which places Dutch traders in a more favourable competitive position than other Community traders.

(ii) A Sicilian bill making changes to existing schemes, introducing new schemes and refinancing for the period 1986-88 structural aids already in force. The four measures in question are as follows:

(a) aids for the construction or modernization of fishing vessels and a cooperation premium for joint fishing ventures are granted subject to the condition that the vessels concerned must be built in Sicilian shipyards; this is contrary to the Community rules, in particular Article 30 of the Treaty;

(b) aids for investments in the fishing fleet, aquaculture or the processing and marketing of fishery products should be granted only where the investments concerned are in line with the objectives of the (existing and future) Italian multiannual guidance programmes, as provided for in the relevant Community rules and as approved by the Commission (Council Regulations (EEC) Nos 355/77 of 15 February 1977,³ 2908/83 of 4 October 1983⁴ and 4028/86 of 18 December 1986⁵); such aids may not be granted at a rate which exceeds, in terms of subsidy equivalent, the overall rate of subsidy permitted under these rules, which was 75% for 1986 and will be between 55 and 75% for 1987-88, depending on the type of investment; the text of the bill makes no reference to the guidelines for the examination of national aids in the fisheries sector;⁶

(c) the granting of a premium for the scrapping of fishery vessels does not take account of the national and Community measures which apply to such matters, for which Sicilian fishermen are eligible;

(d) the subsidizing of 50% of the social security contributions of seasonal workers in the tuna-fishing industry constitutes an operating aid which influences production costs and, consequently, competition.

¹ Bull. EC 6-1983, point 2.1.208.

² OJ L 379, 31.12.1981; Bull. EC 12-1981, point 2.1.140.

³ OJ L 51, 23.2.1977.

⁴ OJ L 290, 22.10.1983; Bull. EC 10-1983, point 2.1.162.

⁵ OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.285.

⁶ OJ C 268, 19.10.1985.

Transport

Inland transport

Road transport

Technical aspects

Weights and dimensions

2.1.125. On 6 February the Commission transmitted to the Council a report¹ on the development of the circumstances which justified the derogation accorded to Ireland and the United Kingdom from certain provisions of the Directive of 19 December 1984 on the weights and dimensions of commercial vehicles.²

The report sets out to provide an objective comparison of bridge design standards in the United Kingdom and Ireland with those applied in the Member States which allow their bridges to carry the weights permitted by the Directive.³

The Commission recommends the United Kingdom and Ireland to classify their bridges along the lines proposed in the report and to submit, by mid-1987, a strategic plan for the bridge assessment and strengthening work to be done.

Nuclear safety

Radiation protection

Basic standards

2.1.126. On 27 January the Commission made a proposal⁴ for the extension until 28 February 1988 of the validity of the Council Regulation of 30 May 1986⁵ — which had already been extended until 28 February 1987⁶ — on the conditions governing imports of agricultural products originating in non-member countries following the accident at the Chernobyl nuclear power station. This extension will make it possible to dispose of products harvested in 1986 and subsequently stored or preserved and will allow

additional time for an examination of the results of the measures covered by the Regulation before the checking requirements lapse.

The existing radioactivity limits have proved to be effective as common arrangements for protecting consumer health, maintaining trade with non-member countries, ensuring market unity and preventing deflections of trade following the Chernobyl accident.

2.1.127. The Commission also sent the Council a communication — and a proposal for a general Regulation based on Article 31 of the Euratom Treaty — concerning a permanent system for establishing maximum permissible radioactivity levels for drinking water and agricultural products in the event of a nuclear accident.

The proposed Regulation relies also on the Directives of 15 July 1980⁷ and 3 September 1984,⁸ which lay down basic safety standards for the health protection of the general public and workers against the dangers of ionizing radiation.

It recommends the setting-up of a permanent system which would enable the Community to set maximum permissible levels of radioactive contamination as a means of protecting public health in the event of nuclear accidents or other incidents resulting in significant radioactive contamination of agricultural products or drinking water.

It also takes account of the specific conditions for the application of such a system and introduces a procedure for the rapid adjustment of the maximum permissible levels in line with the particular circumstances of any nuclear accident or incident of this type.

¹ COM(87) 34 final.

² OJ L 2, 3.1.1985; Bull. EC 12-1984, point 2.1.200.

³ OJ L 2, 3.1.1985.

⁴ COM(87) 28 final.

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

⁶ OJ L 280, 1.10.1986.

⁷ OJ L 246, 17.9.1980.

⁸ OJ L 265, 5.10.1984.

International cooperation

2.1.128. On 15 January, in line with the recommendation made in its outline communication to the Council of June 1986 on the consequences of the Chernobyl accident,¹ the Commission sent the Council two draft Decisions approving the conclusion of the Convention on Early Notification of a Nuclear Accident and of the Convention on

Assistance in the Case of a Nuclear Accident or Radiological Emergency.²

These two international conventions were adopted by the General Conference of the International Atomic Energy Association at a special session held in Vienna in September 1986.³

¹ Bull. EC 6-1986, point 2.1.241.

² COM(86) 760 final.

³ Bull. EC 9-1986, point 2.1.161.

2. External relations

New round of multilateral trade negotiations

Organization of the negotiations

2.2.1. The complex process of organizing the Uruguay Round has been completed.¹ This important development allows the real negotiations to get under way.

After the deadlock which led to the failure to reach agreement on 20 December 1986, intensive consultations concerning the structure and planning of the negotiations continued in Geneva, resulting in the few remaining difficulties being settled.

At meetings held on 28 January the Trade Negotiations Committee (TNC) was therefore able to take a series of decisions concerning the establishment of a mechanism for the surveillance of standstill and rollback commitments, the structure and planning of negotiations on trade in goods and the organization of the work of the Group of Negotiations on Services (GNS).

Surveillance mechanism for standstill and rollback commitments

2.2.2. The Surveillance Body for standstill and rollback commitments, which is open to all participants, will meet at least three times a year. It will report direct to the TNC,

which will carry out periodic evaluations (at least every six months) of the implementation of the commitments and its impact on the negotiating process in relation to the interests of individual participants. Reports will also go for information to the Group of Negotiations on Goods (GNG).

The Surveillance Body's task is thus to provide the procedural backing for standstill and rollback commitments, which are essentially political in nature and whose evaluation is a matter for the principal negotiating body, the TNC.

It is clear that the implementation of these commitments is essential for the whole Uruguay Round.

Negotiating structure and plans

2.2.3. These two aspects are closely linked, both in the coordinating and supervisory role of the GNG and in the activities of the different negotiating groups and the carrying out of the negotiating programme.

Fourteen negotiating groups have been set up to deal with the various subjects covered by the Punta del Este Declaration² and give effect to negotiating plans adopted. The

¹ Bull. EC 11-1986, point 2.2.1; Bull. EC 10-1986, point 2.2.1.

² Bull. EC 9-1986, point 1.4.1 *et seq.*

groups will hold their first meetings between the week beginning 9 February and the week beginning 6 April. The GNG is to meet on 13 April.

Most of the negotiating plans include an initial phase (identification of problems, preparation of documents, etc.) which must be completed by the end of 1987.

Programme for negotiations on services

2.2.4. A programme meeting the Community's requirements in full has been adopted for the initial phase of negotiations on services, to be completed in 1987. A number of elements already identified will be dealt with in parallel during this phase. The GNS will periodically assess progress. Twelve days of meetings are scheduled for the first half of 1987, with the first meeting planned for 23 to 25 February. There will be a stocktaking at the end of 1987 in order to determine how to carry forward the negotiating programme.

Commercial policy

Implementing the common commercial policy

Commercial policy instruments

Easing of restrictive measures

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

products originating in State-trading countries, not liberalized at Community level,¹ the Commission opened the following quotas:

Benelux — Albania/German Democratic Republic: textile products;²

Italy — Bulgaria: atactic polypropylene (other plastic materials);³

Italy — Hungary: waste and scrap of plastic materials, also in granule and powder forms; coiled PVC for floor coverings;³

United Kingdom — Czechoslovakia: footwear with uppers of rubber, footwear with outer soles of rubber and uppers of textile fabric;⁴

Spain — People's Republic of China: 'espadrilles' with outer soles of rubber;⁵

Trade protection

2.2.6. The trade protection measure taken in January is shown in Table 6.

¹ OJ L 346, 8.12.1983.
² OJ C 23, 30.1.1987.
³ OJ C 11, 15.1.1987.
⁴ OJ C 13, 17.1.1987.
⁵ OJ C 21, 28.1.1987.

Table 6 — Trade protection measure

Council	Commission
<p>Extension of the provisional anti-dumping duty on imports of:</p> <p>Standardized multiphase electric motors having an output of more than 0.75 kW but not more than 75 kW originating in Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania or the Soviet Union</p> <p>OJ L 26, 29.1.1987 (provisional duty: OJ L 280, 1.10.1986)</p>	

Relations with industrialized countries¹

United States

Dispute over the effects of enlargement

2.2.7. On 29 January the Community and the United States reached agreement on the effects of enlargement, so ending a dispute that had lasted nearly a year. The agreement was approved by the Council on 30 January (→ points 1.2.1 and 1.2.2).

2.2.8. Parliament adopted a resolution on 22 January stressing the need for an agreed settlement of the dispute to remove the danger of a trade war that would have disastrous consequences (→ point 2.4.9).²

Canada

2.2.9. On 28 January the Canadian Import Tribunal ruled that Community pasta exports 'have not caused, are not causing and are not threatening to cause' injury to the domestic industry. The case is thus closed.

The Community had taken its case to GATT under the Subsidies Code after the Canadian authorities had made a provisional determination imposing counter-vailing duties on imports of pasta from the Community on 30 September.³ A final determination was made in December.⁴

Japan

2.2.10. On 15 and 16 January Japan's Minister of Posts and Telecommunications, Mr Shunjiro Karasawa, visited the Commission. He discussed with Mr Narjes the harmonization of standards for telecommunications, information technology and high-definition television, and the purchase by Japan of telecommunications equipment. The Minister also met Mr Delors and Mr De Clercq.

Relations with other countries and regions

Mediterranean countries

Mediterranean policy of the enlarged Community

2.2.11. On 14 January the Commission sent the Council a series of recommendations for Decisions on the conclusion of additional protocols to the Cooperation Agreements between the Community and Egypt, Israel, Lebanon, Tunisia and Turkey.⁵ The protocols, which concern the commercial aspects of the Agreements, were initialled last December.⁶

The Commission also initialled a protocol in January revising the trade arrangements with Algeria.

Turkey

2.2.12. On 22 January the Commission and the Turkish Government initialled the Protocol of Adaptation of the EEC-Turkey Association Agreement following the accession of Greece.

Yugoslavia

2.2.13. In accordance with the mandate given in Decision 1/86 by the EEC-Yugoslavia Cooperation Council, a team of Yugoslav experts visited Brussels from 19 to 22 January to discuss standardization.

Israel

2.2.14. The EEC-Israel Cooperation Council held its fifth meeting in Brussels on

¹ For relations with the EFTA countries as regards transit, see point 2.1.34.

² OJ C 46, 23.2.1987.

³ Bull. EC 10-1986, 2.2.13.

⁴ Bull. EC 12-1986, point 2.2.12.

⁵ COM(87) 7 final.

⁶ Bull. EC 12-1986, point 2.2.18.

27 January.¹ The Community delegation was led by Mr Leo Tindemans, President of the Council. The Commission was represented by Mr Claude Cheysson, the Member with special responsibility for Mediterranean policy. The Israeli delegation was led by Mr Shimon Peres, Deputy Prime Minister and Foreign Minister.

The two delegations discussed all matters currently arising in the context of relations between the Community and Israel. The Israeli side stressed the need to increase cooperation, particularly in the industrial and technological spheres. They hoped to see European and Israeli firms participate in joint ventures.

The Cooperation Council meeting was preceded by informal talks between ministers from the Member States and Israel on current political issues.

Asia

Thailand

2.2.15. General Haan, the Thai Minister of Agriculture, visited the Commission on 16 January and called on Mr Cheysson, Mr Andriessen, Mr De Clercq and Mr Cardoso e Cunha.

The main purpose of the visit was to present to the Commission the second action plan for the diversification of manioc production in Thailand under the extended Community-Thailand Manioc Agreement (1987-90). The new action plan is intended essentially to increase farmers' revenue through both on-farm and off-farm activities in the agro-industrial sector, such as cottage industries.

The Commission agreed to study the action plan, together with the request for a Community contribution of 122 million ECU, following an evaluation of the impact of the first action plan and of the proposed strategy, with a view to launching a programme before the end of this year. It gave

no commitment on the amount of a possible Community contribution.

On the question of manioc, the Commission assured the Minister that the current interim regulation on imports of manioc from non-member countries was of a purely technical nature and would not affect the Agreement, which allowed for imports of up to 5.5 million tonnes in any one year. The Commission also asked the Minister to reconsider the current excessively low limits of radiation permitted on imports of foodstuffs, which had no scientific justification and were affecting trade relations.

There was also an exchange of views on the new round of GATT trade negotiations, on the unbinding of sweet potatoes and on possible cooperation in the form of joint ventures in the fisheries sector.

Bangladesh

2.2.16. Mr Sirajul Hossain Khan, the Bangladesh Minister for Fisheries and Livestock, held discussions with Mr Cheysson on 20 January concerning the new pattern of Bangladesh's rural development policy and prospects for cooperation with the Community on inland fisheries and the development of dairy products.

India

2.2.17. The fourth session of the EEC-India Joint Commission was held in Brussels on 6 and 7 January.² A range of issues of mutual concern to the Community and India were explored. The Community acknowledged the seriousness of India's persistent and growing trade deficit and agreed to consider improvements in access to its markets. On bilateral issues, the Community undertook to intensify its trade promotion programme for Indian products and to establish a working party on industrial cooperation as a medium through which

¹ Previous meeting: Bull. EC 10-1985, point 2.3.20.

² Previous session: Bull. EC 5-1984, point 2.2.26.

cooperation in this domain might be reinforced. Attention was also given to the reinforcing of links in science and technology and in human resource development.

2.2.18. Mr Shiv Shanker, Indian Minister of Commerce, visited the Commission on the occasion of the Joint Commission session. He had extensive talks with Mr Cheyson on a range of bilateral and multilateral issues of mutual concern. He also had meetings with Mr De Clercq, Mr Narjes, Mr Andriessen and Mr Cardoso e Cunha.

Latin America¹

Community-Latin America dialogue

2.2.19. The Cooperation Agreement² signed in Cartagena on 17 December 1983 between the Community and the Andean Group countries³ is due to enter into force on 1 February, following completion of the ratification procedures on 12 January.

2.2.20. On 23 January Parliament adopted a Resolution on economic relations between the Community and Latin America (→ point 2.4.9).⁴

2.2.21. On 22 January Parliament adopted two Resolutions on the ministerial conference to be held in Guatemala in February between the Community, the countries of Central America and the members of the Contadora Group (→ point 2.4.9).⁴

State-trading countries

Normalization of relations between the countries of Eastern Europe, the CMEA and the Community

2.2.22. The visit to Brussels of a Soviet delegation, which held talks with Commission representatives on 15 and 16 Jan-

uary on ways and means of establishing official relations between the European Communities and the USSR, completed a series of meetings between the Commission and the European member countries of the Council for Mutual Economic Assistance (CMEA). Following the letters sent by Mr De Clercq to the Foreign Ministers of these countries in February 1986⁵ and their replies received in May,⁶ all the countries have now held meetings with the Commission to discuss various aspects of their future bilateral relations with the Community.

2.2.23. On 22 January Parliament adopted a Resolution on relations between the Community and the CMEA and the East European CMEA members (→ points 2.4.6 and 2.4.7).⁴

China

2.2.24. The Joint Committee set up under the Trade and Economic Cooperation Agreement between the Community and the People's Republic of China⁷ met in Brussels on 12 January. The Chinese delegation was led by Mr Yang Danhua, Deputy Director at the Ministry of Foreign Economic Relations and Trade, and the Community delegation by Mr Jos Loeff, Deputy Director-General for External Relations at the Commission. The Joint Committee considered the present situation of and prospects for trade and cooperation between the two parties.

It was noted that trade over the past year had continued to grow and that China's deficit had been considerably reduced (1 600 million ECU during the first nine months of 1986, compared with 2 500 million ECU over the same period in 1985). This was due

¹ For financial and technical cooperation with Latin America, see point 2.2.36.

² OJ L 153, 8.6.1984; Bull. EC 12-1983, point 2.2.45.

³ Bolivia, Colombia, Ecuador, Peru and Venezuela.

⁴ OJ C 46, 23.2.1987.

⁵ Bull. EC 2-1986, point 2.2.21.

⁶ Bull. EC 5-1986, point 2.2.37.

⁷ OJ L 250, 19.9.1985; Bull. EC 5-1985, point 1.5.1 *et seq.*

to an 11% reduction in the Community's exports and a 9.4% increase in its imports.

The Chinese delegation stressed nevertheless that China was running a persistent trade deficit and relied for its trade balance on exporting its competitive products. It still hoped to be able to correct the deficit without cutting back on imports from the Community. The Chinese delegation expressed regret that Europe was lagging behind Japan and the United States in terms of investment in China. The Community was able to point to measures taken to assist Chinese exports—generalized preferences, quotas to be opened or increased in 1987 for regulated imports, and trade promotion schemes. It hoped also to see some concrete improvements in investment conditions for European firms in China.

A review of cooperation showed very satisfactory results, in terms of diversity and scope, in all the areas covered: financial and technical assistance, science and technology, energy and training. Plans were laid for another Euro-Chinese business week to be held in Brussels in 1988. Further measures were agreed, in particular the establishment in China of a joint biotechnology centre. A joint symposium on investment was scheduled for the end of 1987. The two sides expressed their general desire to pursue and intensify their cooperation, with emphasis on the need to ensure consistency in the various activities concerned.

The meeting confirmed the excellent relations between China and the Community, and the two delegations declared themselves very satisfied with the outcome of their discussions.

Development

North-South relations

Cooperation in international forums

United Nations Conference on Trade and Development

2.2.25. On 28 January the Commission adopted a communication for transmission

to the Council concerning the preparation of the seventh session of the United Nations Conference on Trade and Development.¹ This document gives an outline schedule of the proceedings and describes the importance of Unctad in current economic and political circumstances.

World Food Council

2.2.26. On 5 and 6 January the Members of the Bureau of the World Food Council and its President, Mr Henri Nallet, had meetings with Mr Jacques Delors, President of the Commission, and with Mr Frans Andriessen and Mr Claude Cheysson, Members of the Commission with special responsibility for Agriculture and North-South relations respectively.

The WFC drew the Commission's attention to the critical problems affecting the agricultural economies of a large number of developing countries and, in particular, to the problem of world food imbalances (agricultural surpluses in certain countries, hunger and malnutrition in others) and the economic and financial difficulties which contribute to the deterioration of the food situation in those countries. The WFC particularly urged that the Community press for acknowledgement of the specific situation of the developing countries in the forthcoming GATT negotiations.

The WFC and the Community agreed to increase their cooperation, notably with a view to sharing information on developments in the international situation, facilitating the implementation of food strategies, and promoting regional and inter-regional cooperation in the food and agriculture sector.

Commodities and world agreements

Cocoa

2.2.27. On 16 January the Council adopted a Decision based on a Commission

¹ COM(87) 37 final.

proposal transmitted on 9 January concerning the provisional application of the 1986 International Cocoa Agreement.¹ This Decision provides that the Community and its Member States are to notify the United Nations Secretary-General, on completion of the requisite procedures, of their intention to apply the Agreement on a provisional basis, thereby fulfilling the requirements of Article 70(3) of the Agreement.

2.2.28. At a meeting held in London under the auspices of the United Nations Secretary-General on 19 January, it was accordingly decided to apply the Agreement provisionally, in its entirety, from 20 January. This period of provisional application follows the interim period decided on in September 1986.²

2.2.29. The International Cocoa Council subsequently held its 31st regular session, at which several important decisions were taken, notably concerning the election of chairmen of the Council and of the Executive Board of the International Cocoa Organization, the approval of the administrative budget for 1986/87, and the provisional adoption of the economic and control rules of the Agreement.

Campaign against hunger in the world

Food aid

Food Aid Convention

2.2.30. On 23 January Parliament delivered its opinion³ on the proposal for a Regulation⁴ on the apportionment of the quantities of cereals provided for under the Food Aid Convention for the period 1 July 1986 to 30 June 1989.⁵ It endorsed the Commission proposal subject to deletion of the reference to the framework Regulation of 3 December 1982 on food aid policy and management⁶—considering this to undermine its powers—and its replacement by a

reference to the new Council Regulation of 22 December 1986.⁷

For the time being, it wanted no other reference than that to the Regulation of 29 October 1975 fixing criteria for the mobilization of cereals intended as food aid.⁸

EEC-UNRWA Convention

2.2.31. On 30 January the Commission sent the Council a proposal for a Decision on the conclusion of a Convention (1987-89) between the Community and the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) concerning aid for refugees in the countries of the Near East.⁹ This new Convention is due to replace that approved by the Council in June 1984,¹⁰ which expired on 31 December of last year.

This new Convention provides for the payment by the Community to UNRWA of an annual cash contribution towards the cost of its education programme. The size of the contribution will be 20 million ECU per year for 1987, 1988 and 1989.

As under the previous Convention,¹⁰ the Community undertakes to provide UNRWA with food aid in cash or in kind, the size and form of the contribution and the conditions on which aid will be granted to be determined by the Community each year within the framework of its food aid programmes.

¹ Bull. EC 7/8-1986, point 2.2.32.

² Bull. EC 9-1986, point 2.2.32.

³ OJ C 46, 23.2.1987.

⁴ OJ C 154, 20.6.1986; Bull. EC 6-1986, point 2.2.47.

⁵ OJ L 195, 17.7.1986; Bull. EC 6-1986, point 2.2.47.

⁶ OJ L 352, 14.12.1982; Bull. EC 12-1982, point 2.2.36.

⁷ OJ L 370, 30.12.1986.

⁸ OJ L 281, 1.11.1975.

⁹ OJ C 35, 13.2.1987; COM(87) 18 final.

¹⁰ OJ L 188, 16.7.1984; Bull. EC 6-1984, point 2.2.51.

Programme of positive measures concerning South Africa

Financing decisions

2.2.32. On 8 January the Commission decided on a third financial contribution amounting to some 2.3 million ECU for 15 projects to assist apartheid victims. This decision follows those taken in 1986, which involved amounts totalling 6.8 million ECU for 34 projects.¹

These financing decisions are part of the follow-up action pursuant to the ministerial meeting on political cooperation held in Luxembourg on 10 September 1985.²

Stabex

LLDCs not signatory to the Lomé Convention

2.2.33. On 26 and 27 January the Council signified its agreement on the substance of the Commission's two proposals³ for Regulations intended to give effect from the 1987 financial year to the Community's promise, during the mid-term review⁴ of the substantial new programme of action for the least-developed countries (LLDCs),⁵ to set up a system of compensation for loss of export earnings from agricultural commodities for LLDCs not signatory to the Lomé Convention.⁶

The Spanish delegation in particular drew the attention of the Council and the Commission to the position of certain Central American developing countries which, while not meeting the criteria on the basis of which the above commitment had been entered into, were also in a particularly difficult situation.

In the light of that situation, the Council stated that it was prepared to give special consideration to the matter, notably in the context of cooperation between the Community and the Central American countries.

The Commission for its part confirmed the approach proposed in its communication on the Community and Latin America,⁷ namely that official development aid efforts should be concentrated on the relatively less-developed countries of Latin America, which included most of the Central American countries. The Commission will make appropriate proposals on this basis.

ACP Protocols

Sugar

2.2.34. On 19 January the Council adopted a Regulation on the conclusion of Agreements in the form of an exchange of letters between the Community and (i) the sugar-producing ACP States and (ii) India with regard to guaranteed prices for cane sugar in the delivery period 1986/97 (unrefined sugar 44.92 ECU/100 kg, white sugar 55.39 ECU/100 kg).

Financial and technical cooperation

ACP States

2.2.35. In January the Commission allocated resources from the fifth and sixth EDFs totalling 169 452 000 ECU to finance projects, programmes and emergency aid operations which it administers (see Table 7).

¹ Bull. EC 7/8-1986, point 2.2.43; Bull. EC 11-1986, point 2.2.40.

² Bull. EC 9-1985, point 2.5.1.

³ OJ C 183, 22.7.1986; Bull. EC 6-1986, point 2.2.50.

⁴ Bull. EC 10-1985, point 2.3.31.

⁵ Bull. EC 9-1981, point 2.2.10.

⁶ Bull. EC 10-1985, point 2.3.43.

⁷ Bull. EC 11-1986, point 1.4.1.

Table 7 — *Financing of operations under the fifth and sixth EDFs*

<i>million ECU</i>			
	Project	Grants	Loans
<i>Industrialization</i>			
All ACP States	1987 budget for the Centre for the Development of Industry	7.480	
Zaire	Energy project	1.350	
<i>Economic infrastructure</i>			
Mozambique	Railway rehabilitation	25.000	
<i>Rural production</i>			
Gabon	Aid for small businesses	0.600	1.500
Tanzania	Agricultural support programme	94.000	
Tanzania and Zambia	Agriculture	13.000	
Côte d'Ivoire	Oil palm plantations		20.850
<i>Social development and health</i>			
Solomon Islands	Reconstruction following Cyclone Namu	1.722	
<i>Trade promotion</i>			
Guinea-Bissau	Technical assistance for commercial structural reform	3.000	
<i>Emergency aid</i>			
Nigeria	To arrest yellow fever epidemic	0.650	
Fiji	Following Cyclone Raja	0.300	
Total		147.102	22.350

Latin American and Asian developing countries

2.2.36. On 26 January the Commission decided, with the endorsement of the Committee on Aid to Non-associated Developing Countries, to finance the following operations from the appropriation in Article 930 of the Community budget:

Bolivia: rural self-development programme (autonomous project — total cost 24 million ECU, Community contribution 20 million ECU);

Guatemala: support for smallholders in the Pacific region (departments of Escuintla and Suchitepéquez) (autonomous project — total cost 13.7 million ECU, Community contribution 12 million ECU).

Regional cooperation

ACP States

Caricom

2.2.37. The eighth meeting¹ of the Caribbean Group for Cooperation in Economic Development (CGCED) was held at World Bank headquarters in Washington from 27 to 30 January. The CGCED, which was formed in 1977, brings together bilateral and multilateral donor governments and institutions and Caribbean governments with the aim of assisting the Caribbean nations in their structural adjustment efforts and fostering regional cooperation. Nine Caribbean ACP States and four Caribbean OCTs attended the meeting. As at

¹ The previous meeting was held in June 1985.

previous CGCED meetings, the Commission and several Community Member States participated.

The meeting took place at a time of continuing reductions in aid flows to the Caribbean and increasing costs resulting from the United States sugar quota. The Commission representative took the opportunity to review the achievements of the Lomé III programming exercise — which was completed for the Caribbean ACP States during 1986 — and to preview the forthcoming programming discussions with the Caribbean OCTs.

During the meeting, subgroups for each Caribbean country were set up to discuss their development priorities and problems and review their external financing requirements. Discussions also took place on the 'tighter consultative group' mechanism, tourism in the Caribbean and structural adjustment in the region.

Intergovernmental Authority on Drought and Development¹

2.2.38. In preparation for the Igadd donors' conference to be held in Djibouti from 16 to 18 March, an Igadd delegation met representatives of the Member States and Mr Natali on 14 and 15 January. The delegation was headed by Mr Jeremiah Nyagah, Kenyan Minister of Environment and Natural Resources, and included Mr Salah Eldin Abd Elsalam, Sudan's Minister of Cabinet Affairs, Mr Mahamoud Abdinour, Somalia's Vice-Minister of Agriculture, and Dr Makonnen Kebret, Executive Secretary of Igadd.

The delegation extended an official invitation to the Member States and the Commission to take part in the donors' conference. It also took the opportunity of apprising the Community of Igadd's functions and objectives and its policy priorities.

Cooperation via non-governmental organizations

2.2.39. During January the Commission committed 10 million ECU for the co-financing in developing countries of 79 projects presented by 45 NGOs.

The Commission also contributed 143 551 ECU to four publicity campaigns in the Community.

Institutions

ACP States

ACP-EEC Joint Assembly

2.2.40. On 23 January Parliament adopted a Resolution² on the outcome of the proceedings of the two sessions of the ACP-EEC Joint Assembly held in 1986³ (→ point 2.4.9).

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Visits

Coordination of development policies and programmes

2.2.41. A series of high-level meetings have recently been held between the Commission and other development agencies as part of the continuing efforts to improve aid coordination among donors.

At the end of 1986, at the time of the OECD Development Assistance Committee meeting,⁴ two senior Commission officials met Mr Bengt Sæve-Söderbergh, Swedish Under-Secretary of State for Foreign Affairs, Mr Karl Tham, Director-General of the Swedish International Development Authority, Mr Frans Schmid, Austrian Ambassador and Director-General for Development, Mr Peter McPherson, Administrator of the US Agency for International Development, Mr

¹ This organization was set up at the beginning of 1986 by Djibouti, Ethiopia, Kenya, Somalia, Sudan and Uganda with the aim of strengthening cooperation and combining efforts to combat desertification.

² OJ C 46, 23.2.1987.

³ OJ C 168, 7.7.1986; Bull. EC 1-1986, point 2.2.36; OJ C 10, 14.1.1987, Bull. EC 9-1986, point 2.2.40.

⁴ Bull. EC 12-1986, point 2.2.27.

Masamichi Hanabusa, Japan's Director-General for Development, and Mrs Margaret Catley-Carlson, President of the Canadian International Development Agency. The discussions ranged widely, but recurrent themes included the need for donors to support the governments of developing countries in their structural adjustment efforts, particularly in the agricultural sector; the need to coordinate development efforts, particularly on the spot, to avoid duplications or gaps in various donor programmes; and an increasing emphasis on programme rather than project aid. It was agreed between the Commission and the agencies that there would be an exchange of relevant information and a sharing of experience and facilities, backed up by similar meetings between the parties when appropriate.

Close cooperation is also being maintained between the Commission, the World Bank and the IMF. Following Mr Natali's visit to the World Bank in November, a Bank team visited Brussels in January for discussions with the Commission on possible coordination in connection with the IMF structural adjustment facility; a further visit in February is scheduled.

Coordination between Member States' bilateral programmes and those of the Community is discussed regularly in the Commission's Programming and Financing Committee, in the Council (meetings of Development Ministers) and on the spot between representatives of the Member States and the Commission's delegations in the developing countries.

International organizations and conferences

Conference on Security and Cooperation in Europe

2.2.42. The CSCE follow-up meeting convened in Vienna on 27 January for the second part of the negotiations among the 35 participating countries.¹

Its purpose, following the review in November and December of implementation by the parties of the Helsinki Final Act and Madrid Final Document,¹ will be to consider new proposals to extend and strengthen cooperation and ensure security in Europe.

The Community and its Member States have drafted a number of proposals on the three CSCE issues aimed at securing a balanced reinforcement of European cooperation.

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2.2.43. On 5 and 6 January the Members of the Bureau of the UN World Food Council met Mr Delors and the Members of the Commission with special responsibility for agriculture and North-South relations, Mr Andriessen and Mr Cheysson (→ point 2.2.26).

2.2.44. On 28 January the Commission adopted a communication for transmission to the Council on preparations for the forthcoming Unctad VII, due to take place in July (→ point 2.2.25).

Diplomatic relations

2.2.45. The following ambassadors presented their letters of credence to the President of the Council and the President of the Commission. Their appointments took effect on the dates shown.

5 January: HE Mr Bhadra Galu Ranchod, Head of Mission of the Republic of South Africa to the European Communities, HE Mr Alireza Salari, Head of Mission of the Islamic Republic of Iran to the European Communities, HE Mr Narendrakumar P. Jain, Head of Mission of the Republic of India to the European Communities;

20 January: HE Mr Einar Benediktsson, Head of Mission of the Republic of Iceland to the EEC.

¹ Bull. EC 9-1986, point 2.2.47; Bull. EC 11-1986, point 2.2.56; Bull. EC 12-1986, point 2.2.49.

3. Financing Community activities

Budgets

General budget

Budgetary procedure

1987 budget

Commission's letter of amendment

2.3.1. As a result of Parliament's votes on 11 December 1986¹ and the statement made in the House by the Council President, the 1987 budget procedure had been left unfinished. In accordance with the Joint Declaration of 30 June 1982 by the European Parliament, the Council and the Commission on various measures to improve the budgetary procedure,² the Commission therefore presented on 9 January a letter of amendment to enable the budgetary authority to complete the 1987 procedure.³

The letter was presented immediately after a meeting of the Presidents of Parliament, the Council and the Commission (trialogue) convened by the Commission that day. The Commission made a number of suggestions to produce a compromise on three points: EAGGF Guarantee expenditure, non-compulsory expenditure and classification of expenditure as compulsory or non-compulsory.

(i) As regards EAGGF Guarantee expenditure, the new Article 293, which the Council inserted in the draft budget on second reading⁴ and which at present carries a token entry, would be worded as follows: 'Measures to be taken following a review, with a view to reducing production surpluses and accumulated stocks, and related measures for compensation' with the following remarks: 'This new article is to accommodate, in the course of 1987, the appropriations needed for the accelerated stock disposal measures and for compensation to producers under plans to improve the situation of some agricultural markets, wherever the appropriations which have been entered for this purpose in other chapters of the EAGGF Guarantee Section are insufficient.'

The Commission would make proposals for covering the agricultural sector deficit in 1987 based on

the ideas it intended to develop in its memorandum on new own resources, to be adopted in February. The Council would undertake to do whatever was necessary to cover this deficit at the appropriate time later in the year.

(ii) For non-compulsory expenditure, the Commission proposed that payment appropriations would be maintained at the amount available under the maximum rate of 8.1%. A negative reserve of 88.9 million ECU would therefore be entered in Chapter 100 to cover the extra appropriations voted by Parliament. It also proposed that a new maximum rate of 8.75% would be set for commitment appropriations and that a negative reserve would be entered in Chapter 100 corresponding to the amount in excess of the new rate, i.e. 123.7 million ECU.

(iii) As for classification of expenditure as compulsory or non-compulsory, the Commission suggested that the technical working party of the three institutions responsible for this question should resume its activities on the basis of the information provided by the Commission at the meeting of the three Presidents (trialogue) on 10 December,⁵ without prejudging the positions of the three institutions on the basic issues. A new triologue would be held in March to reach agreement, if possible, by the time the 1988 preliminary draft budget is presented (at any event, before the Council's first reading).

2.3.2. At the end of its 16 and 17 January meeting the Council concluded that it was unable to reach a decision regarding the Commission's letter of amendment. In the mean time, to make it possible to meet immediate requirements as regards administrative appropriations, the Council adopted a decision and resolution authorizing a series of provisional twelfths.

2.3.3. After its Committee on Budgets had consulted Mr Guy Verhofstadt, President of the Council, and Mr Henning Christophersen, Commission Vice-President with special responsibility for budgets, Parliament passed a resolution⁶ in which it wel-

¹ OJ C 7, 12.1.1987; Bull. EC 12-1986, point 2.3.1.

² OJ C 194, 28.7.1982; Bull. EC 6-1982, point 1.1.1 *et seq.*

³ COM(87) 5.

⁴ Bull. EC 11-1986, point 2.3.2.

⁵ Bull. EC 12-1986, point 2.3.1.

⁶ OJ C 46, 23.2.1987.

comed the decisions taken by the Council at its meeting of 8 to 16 December 1986 on measures for reducing agricultural surpluses and stocks,¹ indicated that this progress enabled it to consider the Commission's letter of amendment as the basis of a settlement on the 1987 budget and invited the Council to transmit a proposal to Parliament so as to permit agreement on a budget by the February part-session.

2.3.4. At its meeting of 26 and 27 January the Council had an exchange of views on the budget situation and noted with regret that it had not proved possible to arrive at a joint position at that stage. If this situation were to continue for any length of time it could well be detrimental to the interests of the Community — for example, as regards implementation of the agricultural decisions taken last December and the discussions on the future financing of the Community (→ point 2.4.3).

The Council asked the Presidency and the Commission to make every effort to arrive at a joint position in good time to enable discussions with Parliament to be resumed with a view to reaching agreement in February.

Financial operations

ECSC

2.3.5. On 23 January Parliament adopted a Decision granting the Commission a discharge in respect of the ECSC accounts for 1984 and a Resolution on two Court of Auditors reports — on the ECSC financial statements at 31 December 1984 and on the accounting and financial management of the ECSC (→ point 2.4.10).²

Loans raised

2.3.6. In January the Commission made:

(i) a number of private placings in German marks, Luxembourg francs and French francs for the equivalent of 109.1 million ECU;

(ii) a DM 175 million 10-year public issue with an interest rate of $5\frac{7}{8}\%$ and an issue price of 99.5%.

Loans paid out

2.3.7. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission paid out loans in January for a total of 1.94 million ECU, broken down as follows:

Industrial loans

2.3.8. Industrial loans (Article 54) of 1.90 million ECU were paid to the Federal Republic of Germany for the steel industry and for the renegotiation of loans.

Workers' housing

2.3.9. Loans totalling 40 000 ECU for building housing for steelworkers and coalminers were paid out in Italy.

EEC — NCI

Loans raised

2.3.10. In January the Commission made a private placing in US dollars for the equivalent of 31.7 million ECU.

EEC — Balance of payments³

Loans raised

2.3.11. The Commission made a public issue in two instalments:

(i) 150 million ECU for 5 years at 7.5%, issued at $101\frac{1}{8}\%$;

(ii) 200 million ECU for 7 years at $7\frac{5}{8}\%$, issued at $101\frac{1}{8}\%$.

¹ Bull. EC 12-1986, points 1.2.1 *et seq.*, 2.1.211 to 2.1.214 and 2.1.219 to 2.1.221.

² OJ C 46, 23.2.1987.

³ Second instalment of the Community loan to Greece approved by the Council in December 1986: Bull. EC 12-1986, point 2.1.5.

4. Political and institutional matters

Political cooperation

2.4.1. While in Brussels for a Council meeting on 26 January, the Ministers of Foreign Affairs adopted the following political cooperation statement on the Iran-Iraq conflict:

'The 12 States of the European Community are gravely concerned at the evolution of the conflict between Iraq and Iran. They support the UN Security Council Resolutions which deplore the initial acts which gave rise to the conflict, as well as its continuation.

The recent dramatic escalation to this long and deplorable conflict:

- (i) serves only to increase further the loss of human life and the suffering of combatants and civilians as well as the damage to the economic infrastructure of both countries,
- (ii) has brought fresh allegations of serious breaches of international humanitarian standards as well as laws governing armed conflict,
- (iii) has been marked by an intensification of attacks on cities,
- (iv) increases the risk of the conflict spreading to neighbouring countries and seriously threatens international and regional peace and security.

In this critical situation the Twelve hereby solemnly renew their appeal to the parties to cease hostilities immediately and to comply with Security Council Resolutions 582 and 588. They recall their Declaration of 8 April 1986 in which they condemned without qualification the use of chemical weapons and asked for strict compliance with the provisions of the 1925 Geneva Protocol.

They continue to support fully the mediation efforts of the Secretary-General and have noted with interest his intention to go to Kuwait on the occasion of the summit meeting of the Islamic Conference Organization, which is being held at a particularly critical moment.'

2.4.2. On 22 January Parliament adopted two Resolutions on the conference to be held in Guatemala between the Community, the Central American countries and the members of the Contadora Group (→ point 2.4.10).¹

European policy and relations between the institutions

European policy

Community prospects for 1987

2.4.3. In response to the request made by the European Council at its London meeting on 5 and 6 December,² Mr Delors, the President of the Commission, embarked on a 'tour of the capitals' — starting with Rome on 9 January, where he met the Italian Prime Minister, Mr Bettino Craxi, and members of his Government. On 12 January he met Mr Wilfried Martens and the members of the Belgian Government; on 16 January he was in Lisbon to meet Mr Cavaco Silva and members of the Portuguese Government; on 17 January he was talking to Mr Felipe González and members of the Spanish Government. Mr Delors was in Luxembourg on 20 January, when he met Mr Jacques Santer, the Prime Minister, and several members of his Government, and the former President of the Commission, Mr Gaston Thorn. He met President François Mitterrand and the Prime Minister, Mr Jacques Chirac, and members of the French Government in Paris on 22 and 23 January. Finally, Mr Delors went to Copenhagen to see the Danish Prime Minister, Mr Poul Schlüter, on 30 January.

The purpose of this 'tour' is to enable Mr Delors to discuss with Member States' Governments the problems of the future financing of the Community, the future of the common agricultural policy and the reform of the structural Funds, and to set out the Commission's view in preparation for the proposals that the Commission will be making in mid-February.

Implementing the Single European Act

2.4.4. With an eye to the forthcoming entry into force of the Single European

¹ OJ C 46, 23.2.1987.

² Bull. EC 12-1986, points 1.1.1 and 1.1.12.

Act,¹ the Commission looked at the proposals it has pending before the Council to determine what changes of legal basis or procedure needed to be made.

On 14 January it sent the Council and Parliament a list of amendments it had decided to make to its proposals for binding instruments under the second paragraph of Article 149 of the EEC Treaty (Article 149(3) as amended by the Single Act). This list covers 139 proposals transmitted by 30 November 1986. A list of amendments to proposals transmitted to the Council after 30 November will be sent at a later date.

Also on 14 January the Commission sent the Council and Parliament a list of proposals for Council recommendations, indicating the Treaty provision on the basis of which the Commission is proposing their adoption. This list covers six proposals.

The Commission wishes the Council to be aware of the spirit in which it has scrutinized the legal bases it originally proposed and has determined the bases to be relied upon once the Single Act has come into force. The Commission has done its utmost to avoid citing different legal bases that would entail different voting methods or procedures and to cite only those that are absolutely essential to each instrument.

Institutions and organs of the Communities

Parliament²

Strasbourg: 19 to 23 January

2.4.5. This part-session, half way through the second Parliament to be elected by direct universal suffrage, was distinguished by the election of its new President (→ point 1.1.1 *et seq.*), Vice-Presidents and Quaestors, and by changes in the number and composition of the standing committees. As these proceedings took up Monday's, Tuesday's and part of Wednesday's sittings, the rest of the

agenda was compressed into no more than two full days, in which the House still managed to get through a very heavy programme.

Mr Leo Tindemans, the incoming President of the Council, made the customary presentation of the programme for Belgium's six-month term in the Council chair (→ point 3.4.1).

The part-session was also marked by a debate that considered the conditions for improving and intensifying trade relations with the Council for Mutual Economic Assistance (CMEA) (→ points 2.4.6 and 2.4.7).

Green light for economic relations with the CMEA

2.4.6. The report by Mr Hans-Joachim Seeler (S/D) was confined, for the most part, to an endorsement of the policy already being followed by the Commission with regard to the CMEA. The rapporteur believed that it was both useful and beneficial to develop relations between the Community and the CMEA: this would be a first step towards guaranteeing peace and in the long term healing the divisions of Europe. But to do this the CMEA must unequivocally recognize the Community as a reality in international law vested with its own powers in economic and trade matters. Unlike the Community, the CMEA — which embraces the Soviet Union and most

¹ Supplement 2/86 — Bull. EC.

² The complete texts of the Resolutions adopted by Parliament appear in OJ C 46, 23.2.1987, and the reports of the proceedings are contained in OJ Annex 2-347. The political groups of members are indicated in brackets by the following abbreviations: S = Socialists; PPE = European People's Party (Christian Democrats); ED = European Democratic Group; COM = Communist and Allies; LDR = Liberal and Democratic Reformist Group; RDE = European Alliance for Renewal and Democracy; ARC = Rainbow Group, DR = European Right; NI = Non-attached. The countries of origin are indicated as follows: B = Belgium, DK = Denmark, D = Federal Republic of Germany, GR = Greece, E = Spain, F = France, IRL = Ireland, I = Italy, L = Luxembourg, NL = Netherlands, P = Portugal, UK = United Kingdom.

of its European and non-European satellites¹ — is a typical international organization like the UN or the Council of Europe enjoying no sovereign rights and exercising no direct legislative powers over the citizens of its member countries. So the CMEA is not entitled to conclude economic cooperation agreements or trade agreements which are binding on its members (they alone have such powers), though it does coordinate their external trade policy. Neither the CMEA nor any one of its Member States has formally recognized the Community.

Mr Seeler, emphasizing that the Soviet Union could not ignore the Community even if it would rather have a divided Europe, wanted this question of political and legal recognition to be settled if trade relations were to develop between the Community and the CMEA. As he saw it, it was to the East's advantage to strengthen links with the West (because it had need of western technology and consumer goods), especially if it was to succeed with its five-year economic development programme. So despite the difference in status between the Community and the CMEA, it would be possible to develop economic relations by concluding bilateral trade or cooperation agreements with the CMEA's European Member States.

It might also be possible to develop cooperation on protection of the environment, transport infrastructures and the search for new energy sources, and to set up an electricity generating and distribution system for the whole of Europe. The rapporteur concluded his presentation with an appeal to Parliament to strengthen relations between the Community and the East European countries in order to help their peoples affirm their identity.

2.4.7. The debate revealed that most of the groups and almost all the German MEPs supported the normalization and development of relations with the CMEA and its Member States. Mrs Ka Konstantina Pantazi (GR), for the Socialist Group, declared that an effort must be made to extend the whole range of relations between the

CMEA and the Community but pointed to certain contradictions in the motion for a resolution. She felt that the CMEA countries should be treated on an equal footing but not told that we want closer relations and then criticized almost in the same breath. It was true that the sun of liberty shone more brightly in the West than in the East, conceded Mr Eusebio Cano Pinto (S/E), who nevertheless urged everyone to have no fears of 'contamination' and to establish relations of good neighbourliness, which could clearly be only beneficial. The same feeling permeated the speech from Mr Ib Christensen (ARC/DK), who supported anything that might help to change the bloc mentality ... but was against anything that might result in a further transfer of powers to the Community! Mr Giorgio Rossetti (COM/I) maintained that a desire for dialogue was irreconcilable with expressing any reservations whatever concerning the East. There must be no negative allusions in the new relationships, no observations about the Iron Curtain and the like that might ruin the political, economic and cultural prospects offered to the Community by a *rapprochement* with the Soviet Union.

Other speakers took a more guarded line, like Mr Axel Zarges (PPE/D), who dwelt on respect for human rights, including freedom of movement, especially in regard to East Germany; our Europe did not stop at the Iron Curtain, and economic and trade relations played a vital part in helping the people of Eastern Europe to decide their own destiny. It was up to the European Parliament to strive for *détente* so that a United Europe could be fully attained. Similarly, Mr James Moorhouse (ED/UK) maintained that one could not overlook the political side of trade relations with the CMEA countries, though his group was not ready to take the plunge as quickly as the Socialists in this field. He also had certain reser-

¹ European members: Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania, USSR; non-European members: Cuba, Outer Mongolia, Vietnam.

uations about the Seeler report, particularly in regard to the suggested development of a common energy system — which he thought inappropriate on grounds of security — and for the same reason came down against extension to several Eastern European countries of the Eureka research programme. Mr António José Fernandes (RDE/P) stressed the fact that the CMEA countries ought to recognize the Community as such. Then there could be a *rapprochement* that he regarded as highly desirable. In view of the longstanding relations between the West and East of Europe, Mr Roger Gauthier (RDE/F) was in favour of developing Community/CMEA contacts, but the utmost caution needed to be exercised, if only as regards respect for the Helsinki agreements.¹ As at present constituted, the CMEA had no jurisdiction in matters of trade, and mutual recognition between the two organizations could not call for any *quid pro quo* on the part of the Community. Mr von Bismarck (PPE/D) was another who felt that Western Europe had responsibilities towards Eastern Europe. So, on certain conditions, he was in favour of establishing links with the CMEA. Only Mr Bernard Antony (DR/F) took a very hard line. Picking on the example of subsidized sales of butter to the Soviet Union, he declared that the Community had nothing to gain in developing its economic relations with Russia and that it ought instead to be strengthening its ties with the African and Mediterranean countries. He also said he could see no real change in the Soviet Union: we had heard that story before in relation to Stalin. Nor did he believe that economic relations would help the Warsaw Pact countries to change. He failed to see how Parliament could imagine that for South Africa to change there must be a trade boycott,² whereas for the USSR to change trade had to be encouraged.

Speaking for the Commission, Mr Willy De Clercq, Member with special responsibility for external relations and commercial policy, said that this whole issue was highly political; he put most emphasis on the fact that priority had to be given to bilateral cooperation with the CMEA countries.

Since the CMEA, as an entity, and the Community were not comparable bodies, he believed they ought to confine themselves for the time being to working out a general framework in a joint declaration.

So he was in agreement with the intention expressed in the Resolution not to establish official contacts with the Parliaments of the countries of Eastern Europe before those countries had normalized their relations with the Community, by formally recognizing it and accrediting diplomatic missions to it.

At the end of the debate Parliament adopted the Seeler Report, as amended, by 177 votes to 69 with 4 abstentions. Among the amendments adopted were those tabled by Mr Vassilis Ephremidis (COM/GR), welcoming with interest the Soviet Union's declaration of intent to join GATT; by Mr Marco Pannella (NI/I), stressing the persistence of basic differences between democratic societies and totalitarian regimes and calling for urgent action in favour of human rights and freedoms in the totalitarian countries; by Mr Bernard Antony, reaffirming the so-called 'Berlin' clause spelling out the Community status of West Berlin; by Mr Jean-Thomas Nordmann (LDR/F), making the point that the normalization of relations with the Eastern European countries meant that the latter must recognize the place and role of the Community as such in multilateral bodies. Despite its closing paragraphs, the rest of the Resolution was rejected by Mr Hans-Jürgen Zahorka and Mr Rudolf Wedekind (PPE/D), by the members of the European Right and by Mr Jean-Thomas Nordmann. During the explanations of vote, Mr Nordmann said he was voting against the report, which contained a number of absurdities, betrayed an altogether mistaken view of the Soviet reality and flew in the face of the position already taken by Parliament to the effect that some trading should be made conditional upon the record of certain regimes.²

¹ Ninth General Report, points 510 to 512.

² OJ C 227, 8.9.1986; Bull. EC 7/8-1986, point 2.4.12.

2.4.8. Parliament gave opinions on the following proposals:

(i) a Directive amending the Council Directive of 21 December 1976 on health problems affecting intra-Community trade in meat products (→ point 2.1.102).

(ii) a Regulation on the apportionment of the quantities of cereals provided for under the Food Aid Convention for the period 1 July 1986 to 30 June 1989 (→ point 2.2.30).

2.4.9. Resolutions were passed on the following items:

The European Monetary System. Parliament took note of the parity realignments agreed to in Brussels on 11 January (→ point 2.1.1) and called on the Commission to draft new proposals to strengthen the EMS — more particularly to coordinate exchange policies with regard to the dollar, strengthen the international role of the ECU, improve the rules governing intervention by central banks and reinforce the role of the EMCF in consolidating the EMS. The House emphasized the importance of sterling being included in the exchange mechanism of the EMS, and hoped that the other Member States still outside the EMS would join.

The economic aspects of the achievement of the internal market in services. Parliament regretted the delays in liberalizing the provision of services, particularly in the insurance field, and called on the Commission to draw up a study on the economic significance of the services sector for the economy of the Community. The House trusted that the Commission would submit the legislative proposals necessary to attain the internal market in services, and called for the adoption of measures in respect of the harmonization of the notion of own funds, the introduction of a deposit guarantee system and the control of large loans.

The Community automobile industry. Parliament restated the general objectives of a Community strategy, notably the creation of a common integrated European car market, improved competitiveness, reduction and harmonization of taxation (including

taxes on insurance premiums), harmonization of technical regulations and extension of road and motorway networks. The House called for type approval to operate on a Community, instead of a national, basis and asked the Commission to report back as a matter of urgency on the administrative and other obstacles at present being used to obstruct free movement on account of type approval and registration of motor vehicles. It called for the introduction of an EEC driving licence and urged that common Europe-wide limitations be put on Japanese imports. Parliament listed the measures it deemed essential for the production of 'clean cars', notably the widespread availability of unleaded petrol and the introduction of regular and uniform technical checks. The House also considered that the Commission should, in conjunction with industry, draw up a list of basic research objectives. Finally, Parliament called for the introduction of co-determination, consultation procedures, training in the new technologies and the reduction of uneconomic overcapacity, and for end to the subsidy race.

The deadlock in the discussions in Council concerning the framework programme of Community activities in the field of research and technological development. Having regard to the cancellation of the Council meeting scheduled for 22 December 1986 at which a solution was to have been found to the problem resulting from the Council's inability to take a decision on the framework programme of Community activities in the field of research and technological development (1987-91), Parliament held that this absence of agreement would result in serious delays in the attainment of the internal market and would prompt industrial circles and the scientific community to interpret it as a lack of European determination to face up to the technological challenges of the United States and Japan.

The Council was formally invited to adopt the framework programme at the earliest possible date and provide for an appropriation that was no less in real terms than that proposed by the Commission.

The damage caused by the cold weather. Parliament deplored the large number of deaths and the material damage caused by the unusually cold weather affecting the whole of Europe and declared its solidarity with the people affected. It regretted that the Member States' governments had not had sufficient foresight and urged the Commission to draw up and coordinate the implementation of an aid programme for the people who had suffered most, providing them with shelter, clothing and additional food. The Commission was asked to report on the results obtained and on the extent of cooperation by the Member States.

The cold spell currently affecting Europe. Parliament congratulated the Commission on its initiative in making surplus stocks available to the people hardest hit by the cold, and suggested that the 'Restaurants du Cœur' and the Salvation Army be allowed to request the allocation of surplus stocks on a permanent basis. The House called on the Member States to draw up aid programmes and to ensure that local authorities and private companies did not cut off gas and electricity supplies during the spell of bitterly cold weather (this being addressed particularly to the government of the United Kingdom, where pensions were very low). The Commission was asked to set up a special fund to provide assistance to the victims of the cold.

EEC-US relations. Considering that the enlargement of the Community had taken place with due observance of the rules of the Treaty and of the GATT and, moreover, that the United States was adopting protectionist measures against the Community as a reprisal against the loss of a few agricultural markets in Spain and Portugal resulting from enlargement, Parliament, endorsing the Council's conclusions to the effect that the Community would take equivalent action, declared its conviction that a trade war would benefit neither side. The House was sure that any losses that the United States would incur regarding agricultural exports to Spain and Portugal, as a result of their accession to the Community, would

be more than compensated by an increase in industrial exports to these two countries.

The forthcoming ministerial conference in Guatemala City. With an eye to the ministerial conference on political dialogue and economic cooperation to be attended in Guatemala City on 9 and 10 February by the Foreign Ministers of the Member States, the Contadora Group countries and the Support Group countries, Parliament passed two Resolutions addressed in particular to the Foreign Ministers meeting in political cooperation. Taking the view that the Community must help the Central American countries to find their own solutions to the serious problems in their region, Parliament called for a specific aid programme geared to promoting the process of regional integration already under way, and emphasized that all Community budget appropriations for aid to Central America should be utilized at a faster rate. The President of the Council was urged to demonstrate support for the countries of Central America at this conference in their efforts to achieve peace, social justice, economic development and respect for human rights, the rights of ethnic groups and democratic freedoms. Parliament called for more economic and financial aid to be given to Central America.

Economic relations between the Community and Latin America. Parliament stressed that it was important to intensify economic and trade relations between the Community and Latin America and believed there were new opportunities for trade and cooperation offered by the accession of Spain and Portugal. With this in mind Parliament proposed a series of measures to reduce the Latin American countries' external debt. It hoped for a liberalization of trade between the Community and Latin America and that permanent political consultation machinery would be established. To that end the Commission was asked to increase the number of its delegations in Latin America, devoting greater financial and human resources to them.

The outcome of the EEC-ACP Joint Assembly proceedings. Parliament declared its support for the new institutional system set up in Lomé III and shared the concern shown by the Joint Assembly at the serious difficulties facing most of the ACP countries in their development process. The House endorsed a series of general aims as benchmarks for the year 2000 and was concerned about the security of food supplies, believing it essential to develop agricultural production in the ACP countries. Parliament called for an end to the protectionist tendencies in the Community, which reduced ACP export opportunities; it stressed the need to diversify trade and recommended the use of the ECU. The House deplored the acts of aggression and subversion perpetrated by South Africa against the countries of southern Africa, as well as the policy of apartheid in South Africa. The House insisted that aid for ACP refugees be maintained and asked for humanitarian aid for Western Saharan refugees. The House also wanted to see a lasting peace in Chad and a nuclear-free zone in the South Pacific. It restated the need for convergent action by the Joint Assembly and Parliament.

Reports of the Court of Auditors on the ECSC financial statements at 31 December

1984 and on the accounting and financial management of the ECSC. Parliament confirmed its view that the ECSC's credit rating on the capital market was vitally important and made various recommendations to the Commission for attaining the ECSC's objectives.

2.4.10. Under its budgetary responsibility and authority Parliament adopted a decision on 23 January granting a discharge to the Commission in respect of the ECSC accounts for 1984 and a Resolution concerning the Court of Auditors' reports on the ECSC financial statements at 31 December 1984 and on the accounting and financial management of the ECSC (→ point 2.3.5).¹

Council

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

¹ OJ C 46, 23.1.1987.

Table 8 — *Council meetings in January*

Number, place and date of meeting	Subject	President	Commission	Main items of business
1137th Brussels 19, 20 and 21 January	Agriculture	Mr De Keersmaecker	Mr Andriessen	Agrimonetary consequences of the realignment of 12 January ¹ Beef/veal Emergency measures (cold spell) ¹
1138th Brussels 16 and 17 January	Budget	Mr Verhofstadt	Mr Christophersen	1987 budgetary procedure ²
1139th Brussels 26 and 27 January	General	Mr Tindemans	Mr Delors Mr Cheysson Mr De Clercq	Relations with USA: negotiations under GATT Article XXIV(6) — Council's conclusions ³

Number, place and date of meeting	Subject	President	Commission	Main items of business
				<p>Mediterranean policy: renewal of financial protocols</p> <p>Fifth meeting of EEC-Israel Cooperation Council: preparation of Community's position⁴</p> <p>Agreement on compensation for loss of export earnings for LLDCs not party to Lomé Convention⁵</p> <p>1987 budget²</p>

¹ Agriculture.² Financing Community activities.³ Points 1.2.1 and 1.2.2.⁴ Relations with other countries and regions.⁵ Development.

Commission

Activities

Decisions, communications and proposals

2.4.12. As part of its work on completing the internal market the Commission sent the Council a communication concerning measures to facilitate the use of payment cards throughout the Community, regardless of where they were issued (→ point 1.3.1 *et seq*).

Communications were transmitted to the Council on adult training in firms and on local employment initiatives: both papers make a searching appraisal of the role that such measures can play in creating new jobs and boosting European productivity (→ points 2.1.51 and 2.1.59).

The Commission decided to grant emergency aid to the victims of the cold spell in the form of 2.5 million ECU released to voluntary organizations and of free distribution, through such organizations, of surplus agricultural produce (butter, cereals, meat, sugar, olive oil etc.) and fishery products (→ points 2.1.85 and 2.1.121).

Discussions, policy debates and work in hand

2.4.13. The Commission proceeded to a first reading of the common agricultural

price proposals and related measures for 1987/88 that it will be laying before the Council next month. These proposals are part and parcel of the reform of the common agricultural policy which the Commission is also to present in February (→ point 2.4.3).

Appointments at Director-General level

2.4.14. The Commission decided to appoint Mr A.A.M. van Agt Head of its Delegation in Tokyo, in succession to Mr L.J. Brinkhorst.¹

Andreas Antonius Maria van Agt

Born 2 February 1931 in Geldrop, North Brabant. Married, three children.

Degree in law from the Catholic University of Nijmegen.

1955-57	Practised law ('advocaat') in Eindhoven
1957-63	Official in the Ministry of Agriculture and Fisheries
1963-68	Official in the Ministry of Justice (public law department)

¹ Bull. EC 10-1982, point 2.4.31; Bull. EC 9-1986, point 2.4.16.

- 1968-71 Professor of Criminal Law at the Faculty of Law, Nijmegen University
- 6.7.1971 Appointed Minister of Justice in the Biesheuvel Cabinet and subsequently in the Den Uyl Cabinet, in which he was also Deputy Prime Minister
- 9.12.1977 Prime Minister (van Agt-Wiegel Cabinet)
- 11.9.1981 Formed his second administration (van Agt-Terlouw-Den Uyl Cabinet)
- 29.5.1982 Prime Minister for the third time, heading an interim Cabinet in which he was also Foreign Minister
- Sept. 1982 Member of the Second Chamber of the States-General
- 16.5.1983 Appointed Queen's Commissioner in the province of North Brabant.

Court of Justice

Analysis of judgments delivered between 1 October and 31 December 1986

Institutional questions

2.4.15. The Court declared void an act of the European Parliament in Case 34/86 concerning the Community budget.¹

This judgment is of major significance in the history of the Community's institutions and should be seen in the context of an atmosphere of tension between the two arms of the budgetary authority that has prevailed for a number of years. The Court was called upon to rule on the respective powers of the Council and Parliament under the budgetary procedure. The Court's judgment establishes that express agreement between the Council and Parliament is necessary before the maximum rate of increase of non-compulsory expenditure may be exceeded (Article 203(9) of the EEC Treaty) and accordingly declared void the

act of the President of the European Parliament whereby he declared that the budget for 1986 had been finally adopted (Article 203(7) of the EEC Treaty).²

Free movement of goods

2.4.16. On 23 October the Court delivered a further judgment in connection with the dispute concerning the compatibility with Community law of France's Lang Act on the single selling price of books.³

One of the findings of the judgment in *Leclerc*,⁴ a case concerning fixed prices for books, was that French provisions requiring the retail price fixed by the publisher to be charged on the sale of books published in France and reimported following exportation to another Member State were prohibited by Article 30 of the Treaty unless it was established that the books were exported for the sole purpose of reimportation in order to circumvent the legislation in question.

Following that judgment, France amended the Lang Act so as to allow the prices of French books reimported into France to differ from the price fixed by the publisher.

A retailer who was the subject of criminal proceedings charged with having sold French books that had not been reimported at a 20% discount had pleaded that the law as thus amended was discriminatory and distorted competition since it prohibited a seller of books that had never been exported from effectively competing with reimported books the prices of which were unrestricted. The French court made a reference to the Court of Justice for a preliminary ruling on the question whether the Community principles of equality and non-discrimination, set out *inter alia* in Articles 3(f) and 7 of the EEC Treaty, prohibit such

¹ *Council v European Parliament*.

² OJ L 358, 31.12.1985; Bull. EC 12-1985, point 2.4.1; Bull. EC 7/8-1986, point 1.1.1 *et seq.*

³ Case 355/85 *Ministère Public v Cognet*.

⁴ Case 229/83 *Association des Centres Distributeurs Leclerc v Thouars and Others*.

discriminatory treatment between books that have never left the country and reimported books.

The Court ruled that neither Article 7 nor any other provision or principle laid down in the Treaty prohibited such discriminatory treatment.

In the grounds of the judgment, the Court stated that the purpose of Article 30 of the Treaty is to remove barriers to imports and it does not therefore preclude national provisions which accord preferential treatment to imports. Even the general principle of non-discrimination — the Court did not recognize a general principle of equality — does not prohibit adverse treatment of domestic products by comparison with that accorded to imported products in the absence of Community legislation or harmonization of national laws. In other words, reverse discrimination is not prohibited by the EEC Treaty.

With regard to the question of distortion of competition raised by the reference to Article 3(f) of the Treaty, the Court merely referred to its judgment of 10 January 1985, in which it held that that provision — read together with Articles 5(2) and 85 of the Treaty — did not prohibit the enactment by the Member States of such legislation, as Community law stands at present, i.e. in the absence of a Community competition policy concerning purely domestic systems or practices in the book trade.

2.4.17. In a preliminary ruling delivered on 13 November concerning the minimum price of bread in the Netherlands, the Court reaffirmed and developed its previous decisions on the compatibility of minimum price systems with the principle of the free movement of goods.¹

Such a system which does not place imported products at a disadvantage as regards retail price competition and is in no way prejudicial to their sale is not incompatible with Article 30 of the EEC Treaty.

In the case in point, that condition was met since the system provided that the minimum

price for imported bread could not exceed the minimum price for domestically produced bread but could, if its cost was sufficiently low, undercut it.

Lastly, the Court reaffirmed that the reverse discrimination against the domestically produced product to which that rule gives rise does not fall within the scope of Community law.

2.4.18. In a judgment given on 4 December, the Court of Justice censured Germany for having prohibited the marketing in its territory of beverages such as 'pétillant de raisin', as lawfully manufactured and marketed in other Member States.²

The hindrance to trade was based on the fact that the bottles used could, under German law, be used only for sparkling wine.

Competition

2.4.19. On 22 October the Court delivered its judgment dismissing an application for a declaration that the Commission Decision renewing the exemption from the prohibition of agreements in restraint of competition laid down by Article 85 of the Treaty in favour of the selective distribution system established by SABA (a German consumer electronics manufacturer) is void.³ The proceedings had been brought by Metro, a self-service wholesaler which was excluded from SABA's selective distribution system.

The importance of this judgment lies in the extent to which it clarifies the Court's previous rulings that 'simple' selective distribution systems may constitute a form of competition which is compatible with Article 85(1) of the Treaty. The Court qualified its case law significantly by ruling that 'there may nevertheless be a restriction or elimination of competition where the existence of a certain number of such systems does not leave any room for other forms of

¹ Case 159/85 *Nederlandse Bakkerij Stichting and Others v Edah BV*.

² Case 179/85 *Commission v Germany*.

³ Case 75/84 *Metro v Commission*.

distribution based on a different type of competition policy or results in a rigidity in price structure which is not counterbalanced by other aspects of competition between products of the same brand and by the existence of effective competition between different brands'.

This means that the relevant market must be analysed before deciding whether a selective distribution system is compatible with Article 85 of the Treaty. On the basis of the analysis of the market in the case in point (particularly the number of selective distribution systems and the level of concentration) the Court concluded that the system in question was compatible with Article 85.

2.4.20. In a preliminary ruling¹ in a case concerning a motor vehicle selective distribution system covered by the Commission's block exemption Regulation of 12 December 1984,² the Court dealt with the question whether a dealer who marketed a make of motor vehicle could require his distributor to change the contents of their distribution agreement in such a way as to bring it into line with the requirements of the Regulation concerning the minimum term of that type of agreement in order to qualify for the said exemption.

In its judgment, the Court reaffirms that a Commission Decision that Article 85(1) of the Treaty is inapplicable, taken pursuant to Article 85(3), by way of either an individual decision or a regulation, does not lay down any mandatory provisions directly affecting the validity or contents of contractual provisions or obliging the contracting parties to alter the contents of their contract. Such a decision merely lays down conditions which, if they are satisfied, exclude certain contractual provisions from the prohibition. It is by reference to domestic law that it must be determined whether the incompatibility of certain contractual provisions with the Regulation may have the effect of obliging the contracting parties to alter the content of their contract.

2.4.21. By a judgment delivered on 11 November, the Court reaffirmed a Com-

mission Decision based on Article 86 of the Treaty under which a fine was imposed on British Leyland for abusing a dominant position.³ The grounds for complaint against BL included its decision not to seek renewal of national type approval (NTA) for the left-hand-drive Austin Metro upon its expiry. The lack of NTA certificates made it impossible for United Kingdom dealers to obtain from BL (which enjoyed a form of monopoly in the relevant market under national law) certificates of conformity for left-hand-drive vehicles reimported by them from Belgium (on account of the appreciably lower prices in that country).

In its judgment, the Court, endorsing the findings of the Advocate-General, held that BL's conduct constituted abuse of a dominant position contrary to Article 86.

In the first place, the Court reaffirmed its *General Motors* ruling⁴ with regard to the relevant market. The market in question was not that relating to the sale of vehicles but that relating to the issue of the certificates of conformity.

Secondly, this judgment goes further than that in *General Motors* and makes an important contribution to stopping the trend towards partitioning markets in parallel imports of motor vehicles.

It was held that without it being necessary to determine whether BL was obliged, from the outset, to seek NTA for left-hand-drive Metros, the fact that BL had sought and obtained such approval (for its own reasons) and subsequently allowed the certificate to expire had enabled a market in reimported vehicles to become established.

The main effect of this judgment should be to open up the relevant market to the reimportation of motor vehicles by dealers. In addition, it reaffirms that any action liable to impede reimports of this kind or

¹ Case 10/86 *VAG France v Etablissements Magne*.

² OJ L 15, 18.1.1985; Bull. EC 12-1984, point 2.1.50.

³ Case 226/84 *British Leyland v Commission*.

⁴ Case 26/75 *General Motors v Commission* [1975] ECR 1367.

to partition the market by the use of a monopoly in respect of the issue of certificates of conformity must be condemned as an abuse of dominance.

Free movement of persons and social affairs

2.4.22. On 23 October the Court delivered a preliminary ruling¹ on the interpretation of Council Regulation No 1408/71.² The plaintiff in the main action is a Dutch Catholic priest who, having lived in Belgium until 1955 in a house belonging to his order, was sent as a missionary to Africa until 1980. In 1977 he joined a Dutch voluntary insurance scheme. Having fallen ill, he returned to the house in Belgium in 1982 and unsuccessfully claimed invalidity benefits under the Dutch scheme: the reply given was that he did not fulfil the condition, imposed by law, of having resided in the Netherlands for at least a year prior to his period of incapacity.

The question whether the plaintiff was a self-employed person within the meaning of Regulation No 1408/71 was referred to the Court. The Court replied that it is not necessary that the self-employed person receives remuneration as direct consideration for his work. It is sufficient that in connection with his activities he receives income permitting him to meet all or some of his needs, even if that income is supplied, as in the present case, by third parties having the benefit of the services of a missionary priest.

The Court also held that if the person concerned is affiliated to a social security system of a Member State and has completed insurance periods under that scheme, it is immaterial that his activities have been carried on outside the Community.

Finally, the Court held that it follows from Community legislation that residence in another Member State is to be treated as residence in the Member State concerned. The provision of Dutch law requiring that the insured person should have completed a period of residence in the Netherlands was therefore illegal.

Equal treatment of men and women

2.4.23. In *FNV v Staat der Nederlanden*³ the Court held that Article 4 of Council Directive 79/7/EEC on the progressive implementation of the principle of equal treatment for men and women in matters of social security⁴ could be relied upon directly against a Member State in the absence of incorporation of that Directive into national law within the time limit set for that purpose.

Taxation

2.4.24. The Court dismissed an action by the Commission against Italy concerning alleged tax discrimination in respect of diesel-engined motor vehicles. Italy imposed a higher rate of VAT on such vehicles when they exceeded 2 500 cc, and this rate was in fact applicable only to imported vehicles.⁵

The action was dismissed because the Court considered that the tax differentiation in question was imposed in the context of a general system of taxation and that it did not concern only imported products but also domestic products.

Freedom to provide services

2.4.25. On 4 December the Court gave four judgments concerning freedom to provide services in connection with insurance.⁶ It is clear from these judgments, first, that for the co-insurance activities dealt with in Council Directive 78/473/EEC⁷ a requirement by Member States that the operator be established or authorized in the Member State where the risk is situated is incompat-

¹ Case 300/84 *Van Roosmalen v Bestuur van de Bedrijfsvereniging voor de Gezondheid, Geestelijke en Maatschappelijke Belangen*.

² OJ L 149, 5.7.1971.

³ Case 71/85.

⁴ OJ L 6, 10.1.1979.

⁵ Case 200/85 *Commission v Italian Republic*.

⁶ Case 220/83 *Commission v France*, Case 252/83 *Commission v Denmark*, Case 205/84 *Commission v Germany* and Case 206/84 *Commission v Ireland*.

⁷ OJ L 151, 7.6.1978.

ible with Articles 59 and 60 of the EEC Treaty and with that Directive.

In Case 205/84 *Commission v Germany*, the Court also decided the more general question of compatibility with Articles 59 and 60 and held that, in the present state of Community law in the insurance sector, the Member States are not entitled to impose restrictions on the provision of services except where there are imperative reasons connected with the public interest justifying such restrictions, that interest is not already safeguarded in the Member State of establishment and the same result cannot be obtained by less restrictive rules.

After examining the arguments adduced to justify the restrictions imposed by Germany, the Court concluded that the requirement of establishment (which is the very negation of freedom to provide services) was not justified but that the requirement of authorization was justified in certain cases to enable the Member State receiving services to exercise the necessary supervision for the protection of the policyholder and the insured person.

Common agricultural policy

2.4.26. In its preliminary ruling in *Public Prosecutor v Keller* the Court confirmed the right of the Community to limit to four the terms that may be used to describe the residual sugar content in a particular wine ('dry', 'medium dry', 'medium sweet', and 'sweet').¹ The accused, Mr Keller, had used on his labels the word 'durchgegoren' (fully fermented) whereas Commission Regulation No 997/81² authorized only the use of the term 'trocken' (dry) for that type of wine.

The judgment is an interesting application of the Court's previous decisions on fundamental rights. Faced with a preliminary question on the compatibility of the Community rules with the fundamental rights in the German Constitution, the Court first recalled that the validity of measures adopted by the institutions of the Community can be judged only in the light of

Community law and not by reference to the constitution of a Member State. The Court then repeated that the freedom to pursue one's trade or profession, on which Mr Keller relied, is part of the general principles of law enshrined in the Community legal order but that it is protected within that order 'only subject to the limits justified by the general objectives pursued by the Community, on condition that the substance of the right is left untouched...'. The Court held that the restrictions at issue in this case in no way impinged on the actual substance of the freedom to pursue an activity. It was rather a question of certain very limited restrictions justified by Community objectives of general interest. In this connection the Court referred not only to the interest of consumers in obtaining clear and complete information but also to the removal of barriers to trade between the Member States by means of uniform rules on labelling. Finally, the Court remarked that the expression 'durchgegoren' is used only in Germany and that renderings in other languages do not correspond to any descriptions in general usage in the other Member States.

2.4.27. In *Direction générale des Impôts v Forest* the Court was asked to rule on the compatibility with Community law of the French annual milling quota for common wheat to be transformed into flour intended for domestic human consumption, on the basis of the annual production of the mill during a reference period.³ This production can be increased by the acquisition of milling rights, which are negotiable. The total of quotas and milling rights is superior to the quantity of flour necessary for domestic consumption. Exports of flour are not subject to the quota system. Flour subject to the quota system can be manufactured from French or from imported wheat.

The Court did not regard the national system as an interference with the mechanism

¹ Case 234/85.

² OJ L 106, 16.4.1981.

³ Case 148/83.

of common prices since such prices are set only for unprocessed cereals and not for flour and the whole system of quotas and milling rights does not limit the opportunities for the disposal of wheat. For the same reason the Court did not consider that there was any incompatibility with the objectives of the common agricultural policy or the general objectives of the Treaty. Viewed in this manner, and in view of the absence of any Community legislation on the point, this arrangement was therefore properly within the jurisdiction of the national legislature.

Nor did the Court see any incompatibility with Article 30 of the EEC Treaty. (The problem did not arise in relation to flour since imports of flour did not fall under the quota system, which applied only to wheat.)

The Court considered that since the subject matter of the system was the production of flour and the trader had a free choice of cereals (domestic or imported), it must be concluded that the limitation on the quantities of wheat that may be milled to produce flour for human consumption in France did not in fact have any connection with the importation of wheat and was not such as to hinder trade between Member States.

2.4.28. In *Klensch* the Court laid down the principle that the prohibition on discrimination between producers within the Community imposed by the second paragraph of Article 40(3) of the EEC Treaty concerns all measures relating to the common organization of the agricultural markets, including national measures adopted in order to implement Community rules.¹ Where the Community rules leave Member States a choice between various courses of action, even without laying down expressly any criteria or conditions, the national authorities may not adopt an option which has the effect of creating, directly or indirectly, discrimination between producers within the Community. In this judgment, which is the first to be given in connection with the arrangements for milk quotas, the Court also confirmed, as regards

the treatment of the quantities released by producers ceasing milk production, that the Community rules must be interpreted in the light of the requirement of non-discrimination.

2.4.29. In Case 23/84 *Commission v UK* the Court held that the United Kingdom had failed to fulfil its obligations by adopting a system of dual pricing for whole milk utilized for the manufacture of butter, depending on whether it is to be sold as intervention or bulk butter on the one hand or as packet butter on the retail market on the other. The Court has thus given a strict interpretation to Article 9(1) of Council Regulation No 1422/78² concerning the granting of certain special rights to milk producer organizations in the United Kingdom. This provides that the prices of milk sold by the Milk Marketing Boards 'may be differentiated only... on the basis of the use intended by the buyer'; according to the Court's interpretation, that provision does not permit differentiation of prices except between different products derived from milk.

The Court also declared that by authorizing the Milk Marketing Boards to apply differentiated prices for whole milk used for the manufacture of butter and cream, depending on whether the purchaser intends to use the resulting skimmed milk for animal feed or to process it into skimmed-milk powder, the United Kingdom had infringed the Commission Regulation implementing Regulation No 1422/78.

Budgetary questions

2.4.30. The judgment in Case 93/85 *Commission v UK* emphasizes the importance of the Commission's role in the management of the Community's own resources. The Court interpreted the word 'invited' in the first paragraph of Article 10(2) of Council

¹ Joined Cases 201 and 202/85 *Kipgen (née Klensch) and Others v Secrétaire d'État à l'Agriculture et la Viticulture*.

² OJ L 171, 28.6.1978.

Regulation No 2891/77¹ as involving an obligation on the Member State to transfer the Community's own resources when it is invited to do so by the Commission. This

interpretation is based on the fact that these are the Community's *own* resources.

¹ OJ L 336, 27.12.1977.

2.4.31. New cases

Case	Subject	Basis
Steel — ECSC		
329/86 Usinor v Commission	Annulment of the individual Commission Decision of 28 November 1986 fixing the reference production quotas, reference quantities and parts of quotas which may be disposed of within the common market for the fourth quarter of 1986	Article 33 ECSC
4/87 Sacilor v Commission ¹	Annulment of the individual Commission Decision of 28 November 1986 fixing the reference production quotas, reference quantities and parts of quotas which may be disposed of within the common market for the fourth quarter of 1986	Article 33 ECSC
13/87 Thyssen Stahl v Commission ²	Annulment of individual Commission Decision No 12073 of 4 December 1986 rejecting an application for the transfer of the reference figures of a closed-down plant to categories Ia and Ib pursuant to Article 15(3) of Decision No 3485/85/ECSC	Article 33 ECSC
25/87 Hoesch v Commission ²	Annulment of the individual Commission Decision rejecting an application for the transfer of the reference figures of a closed-down plant to categories Ia and Ib pursuant to Article 15(3) of Decision No 3485/85/ECSC	Article 33 ECSC
Customs union		
321/86 August Töpfer v HZA Hildesheim	<p>1. In connection with the dispatch of goods for which export refunds are available on exportation, is the Community law in force in June 1979, and in particular Articles 10 and 12 of Commission Regulation No 223/77, to be interpreted to the effect that the retroactive issue of control copy T No 5 is dependent upon completion of the dispatch or export formalities?</p> <p>2. If the first question is answered in the affirmative: may the customs office of departure where the transit formalities (dispatch formalities) were to be completed issue control copy T No 5 retroactively only if those formalities were completed at that office, or is it sufficient if the export formalities were completed at another customs office—even an office in another Member State?</p>	Article 177 EEC

Case	Subject	Basis
Taxation		
299/86 Criminal proceedings against Drexel	Do the Community rules on the harmonization of the legislation of the Member States relating to turnover tax (Article 95 of the EEC Treaty) prohibit the Member States from levying VAT on importation from another Member State of motor vehicles purchased there, where the VAT thereon has been paid and the vehicles have been registered in that State, without taking account of the residual VAT which was paid in the Member State of exportation and is still incorporated in the value of the goods at the time of importation?	Article 177 EEC
317/86 Lambert v Directeur des Services Fiscaux de l'Orne	Is the charging of the central government tax on automatic amusement machines incompatible with the sixth VAT Directive, given that the operation of such machines is subject to VAT, and with Article 95 of the EEC Treaty?	Article 177 EEC
Social security		
313/86 Lenoir v Caisse d'Allocations Familiales des Alpes-Maritimes	Must Article 77 of Regulation No 1408/71 be interpreted as entitling a person in receipt of family benefits who is a national of a Member State of the Community and resides in the territory of another Member State to payment by the social security institution of his country of origin solely of 'family allowances' and not other family benefits, in particular the allowance in respect of schooling expenses ('allocation de rentée scolaire') and the supplementary family allowance ('allocation de complément familial')?	Article 177 EEC
323/86 Collini v Office National des Pensions pour Travailleurs Salariés	Interpretation of Article 46(3) of Regulation No 1408/71: must the reduction provided for be applied only where insurance periods are duplicated? How is the corrective factor to be determined?	Article 177 EEC
Social policy		
324/86 Foreningen af Arbejdsledere i Danmark, acting on behalf of Tellerup (formerly Jensen) v Daddy's Dance Hall	Must Article 1(1) of Council Directive 77/187/EEC be interpreted as meaning that the Directive applies where a non-transferable lease of a business is terminated and as a result, without there being any interruption in the running of the business, the lessor leases the business to a new lessee, who re-employs the staff, who had been given notice but had not left their employment and buys the former lessee's stock?	Article 177 EEC

Case	Subject	Basis
Agriculture		
300/86 Van Landschoot v Mera and Others	Is the co-responsibility levy for which the detailed rules of application in the cereals sector are laid down by Commission Regulation No 2040/86 lawful?	Article 177 EEC
316/86 HZA Hamburg-Jonas v P. Krücken	Are Article 2(3) of Commission Regulation No 243/78 and Article 16(4) of Council Regulation No 2727/75 to be interpreted as meaning that the advance fixing of an export refund contained in a licence is not applicable if the licence (which also contains an advance fixing of the MCA) stipulates that it is valid for another Member State?	Article 177 EEC
326/86 Francesconi and Others v Commission	Damages to compensate the loss suffered by the applicants as a result of the Commission's failure to publish in time the information necessary to identify the Italian firms implicated in the methanol scandal	Article 215 EEC
11/87 RAR v Commission	Annulment of Articles 2(1)(b) and 6(b) of Commission Regulation No 3214/86 adopting measures for the supply of raw sugar from beet harvested in the Community to Portuguese refineries during the 1986/87 marketing year	Article 173 EEC
Economic policy		
308/86 Ministère Public v Lambert	Compatibility with the Treaty of the requirement in the Belgo-Luxembourg Economic Union that exporters who receive foreign currency in payment must sell it on the controlled exchange market	Article 177 EEC
Institutions		
7/87 Commission v Council ³	Annulment of Council Regulation No 3619/86 correcting the weightings applicable in Denmark, Germany, Greece, France, Ireland, Italy, the Netherlands and the United Kingdom to the remuneration and pensions of officials and other servants of the European Communities	Article 173 EEC
Administrative questions		
6/87 Budd and Others v Commission and Council ¹	Annulment of the decision of the Director of the JET Joint Undertaking refusing to recruit the applicants as temporary staff of the Commission. Damages to compensate the applicants for the loss suffered by reason of the unlawful recruitment procedures adopted by the Council and implemented by the Commission	Articles 146, 148, 151 and 188 Euratom and/or 215 EEC
Infringements		
14/87 Commission v Luxembourg	Failure to notify national measures implementing Council Directive 80/781/EEC and Commission Directive 82/473/EEC, on solvents	Article 169 EEC

Case	Subject	Basis
15/87 Commission v Belgium	Failure to notify national measures implementing Commission Directives 84/8/EEC and 84/372/EEC and Council Directive 84/424/EEC, on light signalling devices and sound level of vehicles	Article 169 EEC
16/87 Commission v France	Failure to notify national measures implementing Council Directive 82/712/EEC, on antioxidants	Article 169 EEC
18/87 Commission v Germany ²	Application for a declaration that Germany has failed to fulfil its obligations under Articles 9 and 12 of the EEC Treaty in so far as some <i>Länder</i> charge a fee on the importation of live animals to cover the costs of veterinary inspections carried out under Council Directive 81/389/EEC	Article 169 EEC
22/87 Commission v Italy	Failure to implement Council Directive 80/987/EEC on the protection of employees in the event of the insolvency of their employer	Article 169 EEC

Disputes between the Community and its staff

v Commission:

327/86 Herkenrath and Others — Annulment of the applicants' salary statements from January 1986 on the grounds that they did not take account of the 1985 five-yearly review of salary weightings

1/87 Picciolo¹

5/87 Möhler⁴

12/87 Zeyen (née Heyl)

17/87 Rijnoudt²

19/87 Hecq

v Commission and Scharf:

292/84TO Bolognese and Others — Contesting the judgment in Case 292/84 *Scharf v Commission* in so far as it annulled the Commission's Decisions of 30 November 1984 (appointing Mr Teerlink, an official in the Language Service, to the Category A post declared vacant by Vacancy Notice No COM/1207/84 and rejecting the applicant's candidature for that post) on the ground that Article 45(2) of the Staff Regulations had been infringed

v Parliament:

23/87 Tziovas (née Aldinger)

24/87 Schettini (née Virgili)

v Court of Auditors:

2/87 Biedermann¹

¹ OJ C 32, 10.2.1987.

² OJ C 44, 21.2.1987.

³ OJ C 39, 17.2.1987.

⁴ OJ C 26, 4.2.1987.

2.4.32. Judgments

Date and Case	Held
ECSC — Steel	
21.1.1987: Ferriera Valsabbia v Commission ¹	The Commission Decision of 27 September 1984 imposing a fine on Valsabbia under Article 58 of the ECSC Treaty is void
Customs union	
21.1.1987: 13/84 Control Data Belgium v Commission ¹	Commission Decision 83/521/EEC establishing that the apparatus described as 'Cyber 170-720 and Cyber 170-750' may not be imported free of Common Customs Tariff duties is declared void
Competition	
27.1.1987: 45/85 Verband der Sachversicherer v Commission ²	Application dismissed (seeking annulment of Commission Decision 85/75/EEC finding that Article 85(1) had been infringed and refusing negative clearance)
Agriculture	
14.1.1987: 281/84 Zuckerfabrik Bedburg and Others v EEC	Application dismissed (seeking compensation for losses suffered as a result of a revaluation of the DM representative rate)
14.1.1987: 278/84 Germany v Commission	Application dismissed (seeking annulment of Commission Regulation No 2677/84, which had introduced measures restricting intervention buying as a result of the revaluation of the DM representative rate which was to take place on 1 January 1985, in order to prevent speculative sales)
15.1.1987: 175/84 Krohn Import-Export v Commission ³	Application dismissed (seeking compensation in respect of damage suffered as a result of the application of Regulation No 2029/82)
15.1.1987: 253/84 GAEC de la Segaupe v Council and Commission ³	Application dismissed (seeking compensation for the damage sustained by the applicant as a result of the Council Decision of 30 June 1984 concerning an aid granted to farmers in the Federal Republic of Germany)
21.1.1987: 86/85 Alexander Moxsel Import-Export v HZA Hamburg-Jonas ¹	Slaughter and completion of export customs formalities in one and the same Member State of the Community do not constitute a precondition for the grant of the special export refunds provided for by Commission Regulation No 32/82, provided that the document certifying that the products come from full-grown male cattle has been issued by the intervention agency of a Member State

Date and Case	Held
Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters	
15.1.1987: 266/85 Shenavai v Kreischer ¹	For the purpose of determining the place of performance within the meaning of Article 5(1) of the Convention, the obligation to be taken into consideration in an action for the recovery of fees, commenced by an architect commissioned to prepare plans for the building of houses, is the contractual obligation actually forming the basis of the legal proceedings
External relations	
16.1.1987: 304/86R Enital v Council and Commission ³	Application dismissed (seeking suspension of the operation of Council Regulation No 3018/86 and of Commission Regulation No 3019/86)
Administrative questions	
15.1.1987: 271/83, 15, 36, 113, 158, 203/84 and 13/85 Ainsworth and Others v Commission ³	Applications dismissed (seeking annulment of a decision of the Director of the JET Joint Undertaking refusing to engage the applicants as temporary servants of the Commission; in the alternative, seeking a declaration that the Commission had failed in its duty by failing to address to the applicants an offer of employment as temporary servants)
Infringements	
15.1.1987: 365/85 Commission v Italy ¹	By failing to adopt within the prescribed period the provisions necessary to comply with Council Directive 77/101/EEC on the marketing of straight feedingstuffs, Council Directive 79/372/EEC amending Directive 77/101/EEC, Commission Directive 79/797/EEC amending the Annex to Directive 77/101/EEC and Commission Directive 80/510/EEC amending the Annex to Directive 77/101/EEC, Italy has failed to fulfil its obligations under the Treaty
27.1.1987: 275/85 Commission v Italy ²	By authorizing, in respect of final importation, the release in stages of goods which are declared on a single entry form for release for free circulation, Italy has failed to fulfil its obligations under the EEC Treaty and Article 19 of Commission Directive 82/57/EEC laying down certain provisions for implementing Council Directive 79/695/EEC on the harmonization of procedures for the release of goods for free circulation
29.1.1987: 361/85 Commission v Italy	Italy has failed to fulfil its obligations under the EEC Treaty by failing to adopt within the prescribed period the provisions necessary to comply with Council Directive 79/373/EEC on the marketing of compound feedingstuffs, Commission Directive 80/509/EEC amending the Annex to Council Directive 79/373/EEC, Com-

Date and Case	Held
29.1.1987: 364/85 Commission v Italy	mission Directive 80/511/EEC authorizing, in certain cases, the marketing of compound feedingstuffs in unsealed packages or containers and Commission Directive 80/695/EEC amending the Annex to Council Directive 79/373/EEC By failing to adopt within the prescribed period the provisions necessary to comply with Council Directives 80/219/EEC, 80/1098/EEC and 80/1102/EEC, Italy has failed to fulfil its obligations under the EEC Treaty

Disputes between the Community and its staff

v Council: 15.1.1987: 152/85 Misset³ — Application dismissed as inadmissible

v Commission:

21.1.1987: 76/84 Rienzi³ — Application dismissed

21.1.1987: 219/84 Powell³ — Judgment for the applicant

¹ OJ C 39, 17.2.1987.

² OJ C 40, 18.7.1987.

³ OJ C 34, 12.1.1987.

Economic and Social Committee

243rd plenary session

2.4.33. The Economic and Social Committee held its 243rd plenary session in Brussels on 28 and 29 January with Mr Margot in the chair. The session was attended by Mr Tindemans, Belgian Minister for External Relations and President of the Council. A brief discussion was held on the 10 opinions on the agenda, and two opinions — one on disclosure requirements of branches and the other on the publication of accounting documents by branches of financial institutions — were deferred to a future meeting.

International access to the courts

2.4.34. The Committee unanimously adopted an opinion on the proposal for a Council recommendation relating to ratification by Member States of the Convention of 25 October 1980 designed to facilitate international access to the courts.¹

The Committee welcomed the Commission's proposal, which was of particular importance for freedom of movement within the Community. However, it deplored the fact that only four countries had signed the Convention and only one had proceeded to ratify it. It therefore felt the Commission should impose a deadline for ratification by Member States and, if the deadline were not respected, examine what legal instrument could be used to give effect to the Convention.

VAT applicable to small businesses

2.4.35. The Committee adopted *nem. con.* with one abstention an opinion on the proposal for amending the Council Directive on the harmonization of the laws of the Member States relating to turnover taxes in respect of the special VAT scheme applicable to small and medium-sized businesses.² While welcoming in principle the Commission's attempts to make progress

¹ OJ C 320, 3.12.1986; Bull. EC 11-1986, point 2.1.135.

² OJ C 272, 28.10.1986; Bull. EC 7/8-1986, point 2.1.89.

on the harmonization of Member States' laws on turnover taxes, it considered that, in its present form, the proposal to amend the Directive was not a suitable instrument for achieving this goal. In the Committee's view the Member States should be given a freer hand in taxing small businesses.

Sprint programme

2.4.36. The Committee unanimously adopted an opinion on the proposal to amend the Council Decision concerning a plan for the transnational development of the supporting infrastructure for innovation and technology transfer.¹

The Committee strongly endorsed the aim of the Sprint programme — to improve the competitiveness of industry by encouraging innovation and the cross-frontier transfer of technology. It felt that the present programme was a wholly justified case of Community intervention in an area of proven additionality respecting the principle of avoiding interference in what the Member States should and must do for themselves in their own interest. The funds earmarked for this programme should accordingly be larger. An intensive information campaign on the Community and national programmes directly addressed to the final user was the key to the success of these programmes. The Committee urged the Commission to ensure that the management of the proposed programme would include effective coordination between all the relevant Directorates-General and the Small Business Task Force and mentioned in particular the Icone programme for the Community-wide dissemination of information on technical standards and regulations. It considered Sprint to be one of the key activities for the completion of the internal market by 1992 and urged the Council to ensure that it received appropriate funding.

Erasmus programme

2.4.37. The Committee unanimously adopted an opinion on the proposal for a Council Decision adopting Erasmus, the

European Community action scheme for the mobility of university students.² It reaffirmed its support for the Erasmus proposal on promoting student mobility throughout the Community, recognizing the flexible nature and effectiveness of the programme which directed the major proportion of funds to non-administrative activities. However, it regretted the delay that had arisen in the Council on this enlightened initiative and strongly urged the full adoption of the programme in its original form: budgetary coverage and levels of financial support to those students involved needed to be implemented as quickly as possible in accordance with the general endorsement of the proposal expressed at the European Council in London on 5 and 6 December 1986.³

Permissible sound power level of tower cranes

2.4.38. The Committee unanimously adopted an opinion on the proposal amending the Council Directive on the approximation of the laws of the Member States relating to the permissible sound power level of tower cranes.⁴ The Committee was in agreement with the Commission's approach but asked it to specify that the scope of the Directive did not cover remote-control-operated tower cranes.

Health rules for fresh meat

2.4.39. The Committee unanimously adopted an opinion on the proposal for a Council Directive laying down the health rules for fresh meat and the level of the fees to be charged in respect of such meat⁵ pursuant to the Directive of 29 January 1985.⁶ It welcomed the fact that the rules were now to apply to fresh meat to be traded on the domestic market of the indi-

¹ OJ C 335, 30.12.1986; Bull. EC 10-1986, point 2.1.53.

² OJ C 73, 2.4.1986; Bull. EC 1-1986, point 2.1.63.

³ Bull. EC 12-1986, point 1.1.11.

⁴ OJ C 267, 23.10.1986; Bull. EC 9-1986, point 2.1.95.

⁵ OJ C 302, 27.11.1986; Bull. EC 11-1986, point 2.1.199.

⁶ OJ L 32, 5.2.1985; Bull. EC 1-1985, point 2.1.45.

vidual Member States. However, full advantage should be taken of the opportunity offered by the Commission proposal to improve consumer protection. The Committee would like to see a high uniform level of consumer protection established in both intra-Community trade and trade on the Member States' domestic markets.

Swine fever

2.4.40. The Committee unanimously adopted an opinion on the following proposals:¹

- (i) proposal for a Council Decision introducing supplementary Community financial measures for the eradication of classical swine fever;
- (ii) proposal amending the Council Directive laying down conditions designed to render and keep the territory of the Community free from classical swine fever;
- (iii) proposal amending the Directive introducing Community measures for the control of classical swine fever;
- (iv) proposal amending Directives 64/432/EEC and 72/461/EEC as regards certain measures relating to swine fever.

The Committee welcomed the decision, which followed the appearance and development of this epidemic, to extend the current programme, in a different form, by five years. It observed, however, that the Commission document contained four proposals for different decisions on the same subject and wondered whether it would not be more appropriate to consolidate Community law on the control of classical swine fever with a view to improving the transparency of this extremely complicated legal field.

Market in wine

2.4.41. The Committee adopted by a majority decision, with one vote against, an opinion on the proposal to amend the Regulation on the common organization of the market in wine.² It was in favour of the Commission proposal, but wondered

whether this further attempt to curtail distillation by promoting a new market outlet for grape musts was really important: effective regulation of production, accompanied by a campaign against adulteration and the lowering of taxes and excise duties which were discouraging wine consumption, would be preferable.

European Investment Bank

Operations in 1986

2.4.42. Loans provided by the European Investment Bank in 1986 totalled more than 7 500 million ECU,³ a new record figure: drawing on its own resources, the EIB advanced 6 700 million ECU (5 600 million)⁴ within the EEC, i.e. 19.6% more than in the previous year; around half of this increase was attributable to the accession of Spain and Portugal. Allowing for the fall in inflation in member countries, the upturn in financing in real terms is considerably more significant than that observed in 1985. The above figures relate to contracts signed in 1986; actual disbursements came to almost 7 000 million ECU.⁵

Salient features of the 1986 financial year were:

- (i) further substantial growth in lending for advanced technology, which jumped to 574 million ECU (325 million); a similar trend was recorded under the heading of environmental protection, which attracted 702 million ECU (360 million) (→ point 2.4.43);
- (ii) loans totalling 409 million ECU (160 million) in Spain plus 190 million ECU (100 million) in Portugal;

¹ OJ C 295, 21.11.1986; Bull. EC 11-1986, point 2.1.198.

² OJ C 243, 27.9.1986; Bull. EC 9-1986, point 2.1.112.

³ Conversion rates at 30 September 1986 used by the EIB in statistics for the fourth quarter were 1 ECU = BFR 43.35, DKR 7.89, DM 2.09, DR 139.10, ESC 151.35, FF 6.85, HFL 2.36, IRL 0.76, LFR 43.35, LIT 1 445, PTA 137.55, UKL 0.71, USD 1.03.

⁴ 1985 figures in parentheses.

⁵ By comparison, World Bank disbursements during its 1985/86 financial year totalled some USD 8 300 million.

(iii) financing for over 3 800 smaller-scale ventures: support was provided mainly from the EIB's own resources, as amounts available under the New Community Instrument (NCI III) had been committed almost in full;

(iv) the extensive role again played by regional and intra-Community infrastructure projects, particularly major transport infrastructure and telecommunications schemes, in relation to overall Bank financing (→ point 2.4.43);

(v) entry into force of the third Lomé Convention, concluded with 66 ACP States;

(vi) a sizeable increase in borrowing, particularly in ECU, which climbed to 6 800 million ECU (5 700 million).

Within the Community, the EIB advanced funds in all member countries, with the upswing in lending from own resources amply offsetting the fall in NCI loans. A pronounced increase in operations was recorded in Germany (chiefly for environmental protection), the United Kingdom, Ireland and the Netherlands, while the EIB commenced lending in Spain and Portugal in their capacity as Member States. A slackening of activity was observed in France, and operations in Denmark, Greece and Belgium tended to contract. Italy was again the leading beneficiary of EIB lending, receiving 42.8% of the total.

In addition, the Bank granted a loan for a satellite project of interest to the entire Community but impossible to classify under a specific geographical heading.

Loans advanced by the EIB in 1986, including those from NCI resources, represented some 55% of Community structural investment financing or over 80% of EEC loans funded from the proceeds of borrowings. They also corresponded to around 1.1% of gross fixed capital formation within the EEC in 1986, rising to 5.4% in Ireland, 3.3% in Greece, 3.3% in Italy (over 6% in the Mezzogiorno) and 3% in Portugal.

On the basis of data available at the time of project appraisal, the EIB puts at some 22 800 million ECU the total fixed asset

cost of projects financed last year, with Bank lending covering an average of 32% of the cost of ventures. In terms of employment, these projects are expected directly to generate almost 30 000 permanent jobs in addition to temporary employment (over periods ranging from 2 to 10 years, depending on the scheme involved) created by orders and works relating to schemes financed, particularly in the case of infrastructure.

Outside the Community, the EIB continued implementing the Financial Protocols with the Mediterranean countries, lending 264 million ECU. Furthermore, entry into force of the third Lomé Convention on 1 May heralded a new era of Bank activity in support of development aid in Africa, the Caribbean and the Pacific; 209.7 million ECU was made available under this heading.

Lending within the Community

Economic policy objectives

2.4.43. When mounting financing operations, the EIB does not lend on the basis of a predetermined geographical and/or sectoral distribution; the spread of lending depends on both demand and the consistency of the projects with one or other of the economic policy objectives pursued by the Bank.

With the European Year of the Environment now approaching, it is perhaps worth emphasizing the fresh surge in loans for schemes designed to protect the environment, which attracted 702 million ECU, compared with 360 million in 1985. Ventures financed centred on improving the quality of water in Italy, the United Kingdom, Germany, Ireland and France, as well as on enhancing the quality of air by installing equipment to reduce and clean up fume emissions from thermal power stations, heating plant and refineries in Ger-

¹ ECSC, EIB, NCI and Euratom loans, ERDF and EAGGF Guidance Section grants.

many, Greece and Italy. In 1986 the EIB also made available an initial series of global loans for funding smaller-scale ventures seeking to safeguard the environment. EIB activity in this field extends far beyond merely financing projects directly geared to improving the environment: indeed, when appraising all loan applications, it systematically examines the possible environmental impact of schemes and their consistency with existing legislation.

A very steep upturn in lending for projects aimed at developing or introducing advanced technology in industry, telecommunications and other infrastructure was also recorded: 574 million ECU (325 million) were provided under this heading—including 44 million for smaller-scale ventures—chiefly with a view to honing the competitive edge of European businesses.

Again in the productive sector, 432 million ECU was channelled to projects involving industrial cooperation between firms in different member countries, schemes centred on the modernization and conversion of firms and, chiefly through the medium of global loans from NCI resources, productive investment by small firms irrespective of their geographical location.

In line with the EIB's principal task, projects fostering regional development represented the Bank's prime lending target in 1986, claiming 3 700 million ECU (53.9%); 70% of loans in this category focused on countries beset with severe structural problems (Italy, Greece, Ireland, Portugal and Spain), the majority of funds benefiting regions battling with unemployment rates above, and average income below, the Community average.

Projects conforming to Community energy policy objectives, another key area of EIB activity, attracted 2 600 million ECU. Of this, 1 400 million ECU went towards developing indigenous resources, with the marked drop in lending for the nuclear energy sector (from 956 million ECU to 743 million) offset by a rise (from 176 million ECU to 502 million) in the number of schemes designed to harness hydroelectric

potential or to tap oil and gas deposits in member countries, particularly in Italy; a further 797 million ECU was given over to promoting rational use of energy (heat recovery, development of renewable energy sources—e.g. geothermal, installation of energy-saving equipment, electrification of rail lines and interconnection of electricity grids); in addition, 402 million ECU was devoted to import diversification (mainly gaslines and coal-fired power stations).

When fully operational, projects financed in 1986 should represent some 6.2 million tonnes of oil equivalent (toe) per annum. The cutback in oil imports achieved by virtue of projects funded by the EIB since 1982 stands at 56 million toe, of which 15.6 million toe were attained through energy savings; this corresponds to 15% of projected Community oil imports in 1995.

Schemes aimed at developing Community infrastructure claimed 561.5 million ECU (745 million), with particular emphasis on road, motorway and rail links with new member countries plus sections of road and motorway in France, Ireland and Italy and ports and airports both in the United Kingdom and in Italy, where the EIB also advanced funds for bolstering the country's fleet of aircraft used on intra-Community routes. Two transoceanic cables linking Europe with South-East Asia and the Middle East and Europe with America as well as Eutelsat satellites also attracted loans, as did, on a different note, a scheme for extending the Court of Justice of the European Communities' buildings in Luxembourg.

*

As in previous years, a substantial proportion of operations took the form of global loans for smaller-scale ventures; these accounted for 955 million ECU, comprising 694 million from EIB own and 261 million from NCI resources.

Allocations made in 1986 from new or ongoing global loans for smaller-scale productive investment in industry ran to 1 008 million ECU, i.e. 556 million from EIB own

resources for 2 061 ventures in assisted areas plus 303 million from NCI resources for 1 365 ventures mainly in non-assisted regions. In addition, 80 allocations, totalling 91 million ECU, benefited schemes promoting more rational use of energy, while 14 million ECU (44 million) was channelled to ventures deploying advanced technology and 6 million ECU (13 million) was given over to environmental protection schemes.

Of the various small-scale industrial ventures funded through global loan allocations in 1986, 98% were implemented by firms with less than 500 employees, including over 80% by firms with a workforce of less than 50.

Taking all global loan allocations between 1983 (the European Year of the Small and Medium-sized Enterprise) and the end of 1986, the EIB has helped, in four years, to finance a total of over 17 000 smaller-scale industrial ventures mounted mainly by small firms and attracting some 5 000 million ECU.¹

Borrowing operations

2.4.44. The EIB raised borrowings in 1986 for a total of 6 786 million ECU,² an upturn of 19% over the previous year (5 709 million). 5 435 million ECU was tapped by means of public loan issues, 1 009 million in private placings, 321 million through interbank operations and 20 million via allocation to third parties of participations in Bank loans, guaranteed by the EIB. Borrowings were raised mainly in US dollars, ECUs, marks and lire, notably in Eurolire which, coupled with a fresh surge in ECU-denominated issues, constituted one of the year's highlights (see table).

In a market environment rather less suited to this type of activity during much of the year, floating-rate operations brought in 541 million ECU, mainly in dollars, in contrast to 899 million in 1985: 249 million was raised through swaps against fixed-rate borrowings and 291 million via a direct issue of USD 300 million in floating-rate notes, the first operation of this type launched by the EIB.

Principal currencies raised

		million ECU	
		1986	1985
1. USD	1 760 (25.9%)	1 883.6 (33.0%)	
2. ECU	897 (13.2%)	731 (12.8%)	
3. DM	879 (13.0%)	674 (11.8%)	
4. LIT	594 (8.7%)	342 (6.0%)	
5. HFL	515 (7.6%)	424 (7.4%)	
6. Yen	514 (7.6%)	529 (9.3%)	
7. SFR	510 (7.5%)	355 (6.2%)	
8. FF	413 (6.1%)	368 (6.5%)	
9. UKL	304 (4.5%)	218 (3.8%)	
10. BFR	263 (3.9%)	170 (3.0%)	

In 1986 the EIB also raised the equivalent of 81 million ECU in Luxembourg francs and 54 million in Austrian schillings.

Reflecting the trend observed in previous years, the relative importance of the US dollar in proportion to aggregate borrowings tended to slip back, although it still headed the list of currencies raised. Similarly, in response to demand from borrowers, the ECU continued to hold pride of place among Community currencies, while ranking second overall behind the dollar. Hence, the EIB confirmed its prime role on the ECU market. The main countries in which loans were wholly or partly disbursed in ECUs in 1986 were Italy, France, Denmark, Spain, Portugal and, to a lesser extent, Greece and Ireland.

A general feature of the 1986 financial year was the overall rise in issues on national markets and a relative dip in operations in non-Community currencies.

¹ From EIB own resources: 8 244 small firms (2 400 million ECU); from NCI resources: 8 220 small firms (2 100 million ECU). Rational use of energy: 494 ventures (409 million ECU). Advanced technology: 26 ventures (89 million ECU). Environmental protection: 6 ventures (13 million ECU).

² The difference between total borrowing operations and overall lending activity is accounted for by loans from NCI resources—for which borrowings are raised by the Commission on behalf of the EEC—plus lending operations financed from part of the EIB's own funds (paid-in capital and reserves) plus loans from Community budgetary funds (Mediterranean region) or from EDF resources (Lomé Convention).

Table 9 — *Breakdown by economic policy objectives of EIB financing provided within the Community*¹

	1986		1985	
	million ECU	%	million ECU	%
<i>Regional development</i>	3 685.1	100.0	3 390.7	100.0
Belgium	46.1	1.2	—	—
Denmark	5.0	0.1	13.4	0.4
Germany	25.7	0.7	1.8	0.1
Greece	253.0	6.9	419.3	12.4
Spain	294.6	8.0	— ²	—
France	389.6	10.6	668.5	19.7
Ireland	262.1	7.1	174.5	5.1
Italy	1 826.5	49.6	1 720.2	50.7
Luxembourg	—	—	—	—
Netherlands	18.1	0.5	4.0	0.1
Portugal	160.4	4.3	— ²	—
United Kingdom	403.9	11.0	389.0	11.5
<i>Energy policy objectives</i>	2 600.1	100.0	2 282.0	100.0
Dev. of indigenous resources	1 400.9	53.9	1 479.8	64.8
Hydroelectric	(155.8)	(6.0)	(160.5)	(7.0)
Nuclear	(743.4)	(28.6)	(1 009.0)	(44.2)
Oil and gas	(501.8)	(19.3)	(310.3)	(13.6)
Import diversification	402.0	15.4	237.0	10.4
Natural gas	(245.1)	(9.4)	(230.0)	(10.1)
Coal	(156.9)	(6.0)	(7.0)	(0.3)
Rational use of energy	797.1	30.7	314.2	13.8
<i>Modernization of firms</i>	1 005.5	100.0	978.9	100.0
Advanced technology	573.9	57.1	325.6	33.3
Modernization — conversion	52.7	5.2	24.2	2.5
Industrial cooperation	117.3	11.7	—	—
Investment by small firms (NCI)	261.5	26.0	629.1	64.2
<i>Environment — cultural heritage</i>	701.7	100.0	360.3	100.0
Air pollution	250.1	35.6	—	—
Water and soil pollution	310.1	44.2	323.6	90.1
Other operations	138.1	19.7	36.8	9.9
Safeguarding cultural heritage	3.4	0.5	—	—
<i>Community infrastructure</i>	561.5	100.0	384.3	100.0
Transport	468.3	83.4	338.9	88.2
Railways	(135.3)	(24.1)	—	—
Roads	(219.7)	(39.1)	(250.1)	(65.1)
Shipping	(26.3)	(4.7)	(29.2)	(7.6)
Airlines	(87.0)	(15.5)	(59.6)	(15.5)
Telecommunications	75.0	13.4	17.6	4.6
Other	18.2	3.2	27.8	7.2
Total	7 071.1	100.0	6 524.4²	100.0

¹ The various totals do not make an aggregate as certain loans answer simultaneously more than one objective.² Excluding loans in Spain and Portugal, non-member countries in 1985.

1997-1998

DOCUMENTATION

1. ECU

Values in national currencies of one ECU

30 January ¹	
Belgian franc and Luxembourg franc (convertible)	42.6922
Belgian franc and Luxembourg franc (financial)	43.4372
Danish krone	7.80761
German mark	2.06224
Greek drachma	150.601
Portuguese escudo	160.384
French franc	6.86806
Dutch guilder	2.32238
Irish pound	0.776697
Italian lira	1 468.19
Spanish peseta	147.871
Pound sterling	0.744419
United States dollar	1.13747
Swiss franc	1.73521
Swedish krona	7.36798
Norwegian krone	7.95378
Canadian dollar	1.52535
Austrian schilling	14.4914
Finnish mark	5.15958
Japanese yen	173.806
Australian dollar	1.72084
New Zealand dollar	2.09866

¹ OJ C 24, 31.1.1987.

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 1987	
National currency	Value in national currency of one ECU
Belgian franc and Luxembourg franc	47.3310 ¹ 46.8712 ²
Danish krone	8.58163 ¹ 8.54064 ²
German mark	2.41047 ³ 2.39792 ⁴ 2.38516 ⁵
Greek drachma	116.673 ⁵ 130.674 ⁶
Portuguese escudo	153.283 ¹¹ 151.812 ² 162.102 ¹⁰
French franc	7.31248 ³ 7.54546 ⁷ 7.20771 ⁸ 7.20131 ¹ 7.09967 ² 7.54539 ^{9,10}
Dutch guilder	2.71620 ³ 2.70178 ⁴ 2.68749 ⁵
Irish pound	0.817756 ¹ 0.782478 ²
Italian lira	1 539.00 ¹² 1 554.00 ⁵
Spanish peseta	147.208 ¹ 145.796 ² 151.806 ¹⁰
Pound sterling	0.654044 ⁷ 0.635626 ¹ 0.626994 ² 0.668197 ⁹ 0.652575 ¹⁰

1 For livestock products

2 For crop products

3 For milk and milk products.

4 For cereals.

5 For other products

6 For sheepmeat.

7 For pigmeat.

8 For wine.

9 For beef/veal with effect from 5 January 1987.

10 For sheepmeat with effect from 5 January 1987.

11 For sheepmeat and goatmeat.

12 For cereals and oilseeds.

2. Additional references in the Official Journal

3.2.1. This section lists the titles of legal instruments and notices of Community institutions or organs which have appeared in the Official Journal since the last Bulletin was published but relating to items appearing in earlier issues of the Bulletin; the references were not available when the Bulletin went to press.

The number of the Bulletin and the point to which this additional information refers is followed by the title shown on the cover of the Official Journal, the number of the issue and the date of publication.

Bull. EC 2-1986

Point 2.1.61

Commission Decision of 19 February 1986 on the compatibility with the common market of aid under the German Federal/*Land* Government joint regional aid programme (Joint programme for the improvement of regional economic structures) in six labour market regions
OJ L 12, 14.1.1987

Bull. EC 4-1986

Point 2.1.52

Commission Decision of 23 April 1986 on a proposal by the Italian Government to grant aid to a firm in the chemical industry (producing industrial auxiliaries, intermediates and pesticides)
OJ L 12, 14.1.1987

Bull. EC 9-1986

Point 2.2.40

Joint Assembly of the Agreement between the African, Caribbean and Pacific States and the European Economic Community (22-25 September 1986)
OJ C 10, 14.1.1987

Bull. EC 10-1986

Point 2.1.50

Proposal for a Council Regulation relating to a research and development programme in the field

of science and technology for development (1987-90)

OJ C 24, 31.1.1987

Point 2.1.73

Commission Decision of 22 October 1986 concerning aid in Belgium in favour of the brewery equipment industry

OJ L 20, 22.1.1987

Bull. EC 11-1986

Point 2.1.20

Council Directive amending Directive 79/693/EEC on the approximation of the laws of the Member States relating to fruit jams, jellies and marmalades and chestnut purée

OJ C 25, 3.2.1987

Point 2.1.44

Communication to the Council concerning a Community plan of action relating to the evaluation of Community research and development activities for the years 1987 to 1991

OJ C 14, 20.1.1987

Bull. EC 12-1986

Point 2.1.128

Commission Recommendation of 22 December 1986 on monitoring and controlling large exposures of credit institutions

OJ L 33, 4.2.1987

Point 2.1.129

Commission Recommendation of 22 December 1986 concerning the introduction of deposit-guarantee schemes in the Community

OJ L 33, 4.2.1987

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 17 September 1984 on the approximation of the laws of the Member States relating to seamless, steel gas cylinders¹ (Belgium, Denmark, Germany, Greece, Ireland, Luxembourg, United Kingdom).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to seamless, unalloyed aluminium and aluminium alloy gas cylinders¹ (Belgium, Denmark, Germany, Greece, Ireland, United Kingdom).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to welded unalloyed steel gas cylinders¹ (Belgium, Denmark, Germany, Greece, Ireland, United Kingdom).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to common provisions for lifting and mechanical handling appliances¹ (Belgium, Greece, France, Luxembourg).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to electrically operated lifts² (Belgium, Germany, Greece, France, Ireland, Italy, Luxembourg, Netherlands).

Council Directive of 17 September 1984 relating to common provisions for construction plant and equipment¹ (Greece, Ireland, Italy, Luxembourg).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to electro-medical equipment used in human or veterinary medicine¹ (Belgium, Denmark, Greece, Ireland, Italy, Netherlands, United Kingdom).

Environment and consumer protection

Commission Directive of 9 October 1984 on limit values and quality objectives for discharges of hexachlorocyclohexane² (Belgium, Greece).

Commission Directive of 22 July 1985³ adapting to technical progress the Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste⁴ (Luxembourg).

Commission Directive of 25 July 1985⁵ amending the Council Directive of 2 April 1979 on the conservation of wild birds⁶ (Luxembourg).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to the permissible sound power level of compressors¹ (Belgium, Greece, Luxembourg).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to the permissible sound power level of tower cranes¹ (Belgium, Greece, Luxembourg).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to the permissible sound power level of welding generators¹ (Belgium, Greece, Luxembourg).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to the permissible sound power level of power generators¹ (Belgium, Greece, Luxembourg).

Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to the permissible sound power level of powered hand-held concrete-breakers and picks¹ (Belgium, Greece, Luxembourg).

Commission Directive of 11 July 1985⁵ adapting to technical progress the Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to the permissible sound power level of compressors.¹ (Belgium, Greece, Luxembourg).

Commission Directive of 11 July 1985⁵ adapting to technical progress the Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to the permissible sound power level of welding generators¹ (Belgium, Greece, Luxembourg).

Commission Directive of 11 July 1985⁵ adapting to technical progress the Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to the permissible

¹ OJ L 300, 19.11.1984.

² OJ L 274, 17.10.1984.

³ OJ L 272, 12.10.1985.

⁴ OJ L 326, 13.12.1984.

⁵ OJ L 233, 30.8.1985.

⁶ OJ L 103, 25.4.1979.

sound power level of power generators¹ (Belgium, Greece, Luxembourg).

Commission Directive of 11 July 1985² adapting to technical progress the Council Directive of 17 September 1984 on the approximation of the laws of the Member States relating to the permissible sound power level of powered hand-held concrete-breakers and picks¹ (Belgium, Greece, Luxembourg).

Council Directive of 10 September 1984 relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising³ (Belgium, Greece, Luxembourg).

Transport

Council Directive of 25 July 1983 concerning the authorization of scheduled inter-regional air services for the transport of passengers, mail and cargo between Member States⁴ (Ireland).

Customs union and indirect taxation

Tenth Council Directive of 31 July 1984 on the harmonization of the laws of the Member States relating to turnover taxes,⁵ amending the Council Directive of 17 May 1977⁶ — Application of value-added tax to the hiring out of movable tangible property (Italy).

Seventeenth Council Directive of 16 July 1985 on the harmonization of the laws of the Member States relating to turnover taxes — Exemption from value-added tax on the temporary importation of goods other than means of transport⁷ (Belgium).

Reasoned opinions

3.3.2. The Commission delivered reasoned opinions in the following cases:

Internal market and industrial affairs

Protection of legitimate expectations: measures for the control of frozen meat and poultry (Germany).

Restrictions on the use of edible gelatine in certain foodstuffs (Belgium).

Restrictions on the use of edible gelatine in certain foodstuffs (France).

Difficulties in importing pâté (Germany).

Contract for the construction of a pipeline in Dundaalk (Ireland).

Employment, education and social affairs

Frontier formalities (Belgium).

Equality of treatment as regards social benefits for members of the family who are not Community citizens — Minimex (Belgium).

Environment and consumer protection

Pollution of the groundwater at Naples (Italy).

Proceedings terminated

3.3.3. The Commission decided not to continue the following infringement proceedings:

External relations

Exchange of letters France-USSR; agro-foodstuffs sector; agriculture agreement (France).

Internal market and industrial affairs

Requirement that sponsor be established on German territory for marketing of medicines (Germany).

Provision of a radar installation at Kruisschans (Belgium).

Registering of an imported vehicle (reimportation) (France).

Alcoholic beverage advertising (France).

Restrictions on access to the market for construction materials (Ireland).

Nationality requirement for setting up in business as a pharmacist (Greece).

Nationality requirement for practising as a doctor or dentist (Greece).

Council Directive of 16 June 1975 concerning the mutual recognition of diplomas, certificates and

¹ OJ L 300, 19.11.1984.

² OJ L 233, 30.8.1985.

³ OJ L 250, 19.9.1984.

⁴ OJ L 237, 26.8.1983.

⁵ OJ L 208, 3.8.1984.

⁶ OJ L 145, 13.6.1977.

⁷ OJ L 192, 24.7.1985.

other evidence of formal qualifications in medicine, including measures to facilitate the effective exercise of the right of establishment and freedom to provide services¹ (United Kingdom).

Competition

Air transport; refusal of assistance (Belgium, Germany, Greece, Italy).

Employment, education and social affairs

Refusal to pay pensions to Greek nationals residing in other Member States (Greece).

Free movement; discriminatory practices regarding income guaranteed to elderly persons (Belgium).

Agriculture

Stagiona Pini (United Kingdom).

Admission of a new anabolic substance (France).

Formalities regarding the export of horses (France).

Transport

Harmonization of certain social provisions in road transport (France).

Environment and consumer protection

Commission Directive of 29 July 1983² adapting to technical progress for the fifth time the Council Directive of 27 June 1967 on the approximation of the laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances³ (Germany).

Financial institutions and company law

Freedom of establishment and freedom to provide services in banking legislation (Greece).

Customs union and indirect taxation

Discriminatory taxation regarding excise duties on fruit wines (Denmark).

¹ OJ L 167, 30.6.1975.

² OJ L 257, 16.9.1983.

³ OJ L 196, 14.8.1967.

4. Statement on Belgium's term as Council President

Strasbourg: 22 January 1987¹

3.4.1. As chance would have it, it falls to the Belgian Presidency to carry out the first implementation of the Single Act. Ratification has met with some difficulty in several Member States, which confirms me in the belief that its provisions are not perhaps so insignificant as some of its detractors would have us believe. It will shortly be entering into force and I am determined to apply, without exaggeration but with firmness, the new provisions which it introduces for the Community and for political cooperation. You know better than anyone that institutional provisions are nothing without the practice which inspires them: *Nisi leges*

sine moribus. The Belgian Presidency will have the opportunity of carrying through the first stages of putting these provisions into practice. Rest assured that, in doing so, we will shoulder our responsibilities and will try to apply the Single Act to the full.

Much of the Act is devoted to relations between the Council and the Parliament. The cooperation procedure which the Act introduces is designed to give you greater influence in the Community decision-making process. It is no secret that I, for

¹ Speech in Parliament by Mr Leo Tindemans, incoming President of the Council, on Belgium's programme for its six-month term.

my part, would have liked to go further in that direction. That was not possible, but you may rest assured that under my Presidency the Council will apply the procedure in good faith and in a spirit of dialogue. But I would ask Parliament to take every step, in the rules as in daily practice, to ensure that the procedure for cooperation between our two institutions does not slow down even further the already time-consuming process of Community decision-making. I am one of those who has always defended the rights, powers and importance of your assembly. Those who do not share that point of view must not be allowed to find new ammunition for criticizing Parliament in further delays or red tape. Your responsibility is engaged here.

The Single Act also provides for greater delegation of management and implementing powers to the Commission. That is one of the recommendations I made in my report on European union¹ more than 10 years ago and I am pleased that it has been adopted in the text of the Single Act. The United Kingdom Presidency was tireless in its conduct of the proceedings designed to give that provision of the Single Act expression in the daily life of the Community.

So complex were the discussions that they gave birth to a new piece of European jargon: committology. The discussion is not finished and the Belgian Presidency will try to bring it to a successful conclusion in line with the spirit and the letter of the Single Act.

The Act increases the number of cases in which the Council will be able to take decisions by qualified majority. As you know, that provision was one of the most hotly contested. I believe that it is essential, in particular because it will determine our ability to complete within a reasonable period the large internal market to which all Europeans aspire.

The Council has amended its Rules of Procedure in line with this new provision. But here too I think that the important thing is not the rules but the willingness to apply the law of the Community in good faith, by that I mean our Treaty which the Single Act has just amended. In 1982 the Belgian Presidency showed that it was possible to vote even on difficult problems. It thereby set in motion a process which has gone unnoticed, particularly by your assembly, whereby we nowadays vote, implicitly or explicitly, much more often than five years ago. It is in the same spirit that I intend to see to it that the Community applies the provisions newly introduced into the Treaty.

As far as political cooperation is concerned, the principal innovation provided for in the Single Act is the setting up of a Secretariat. The latter is

already in operation within the Council Secretariat's premises in Brussels. It has already been the venue for one meeting of the Political Committee and several Working Party meetings. The Italian diplomat, Mr Jannuzzi, can be relied upon as head of the Secretariat to lead his team with tact and efficiency.

The Belgian Presidency will do everything possible to make the best use of this new instrument. The Secretariat team is a small one and that is the way it should be. Political cooperation has no need of a huge bureaucracy. However, I must stress to Parliament the symbolic importance and implications of this new departure. If we are to achieve gradually a *European* foreign policy, as the Single Act enjoins us, future Presidencies of Political Cooperation will now be able to count on the help of a *European* team. There are few examples of initiatives of this type in an area such as that of foreign policy, which is traditionally dominated by quick susceptibilities.

The European Councils in Milan² and Luxembourg,³ followed by those in The Hague⁴ and London,⁵ highlighted the will to continue efforts to achieve a frontier-free area by 1992 in accordance with the Commission's White Paper.⁶ This prospect aroused genuine interest and even enthusiasm in industrial circles. We must sustain that interest by continuing the efforts made by successive Presidencies. It is a continuous process during which one Presidency frequently reaps the harvest of earlier discussions and in its turn prepares the ground for those to come. Flexible machinery for contacts between successive Presidencies has been set up to reflect and guarantee continuity. Belgium is determined to play its part in this collective effort.

What are we in fact trying to achieve? An improvement in the conditions under which the simplest activities take place (an individual journey for the purposes of tourism, for instance) or the most sophisticated (e.g. the production and use of new means of telecommunication). Two types of action are needed: to eliminate existing or potential barriers and to plan for the future.

We have no wish to pull down the barriers by means of action involving detailed, finicky rules. On the contrary, we propose to make wide use of two fundamental, complementary principles which our communal life warrants: confidence and equivalence. To achieve the great internal market, we

¹ Supplement 1/76 — Bull. EC.

² Bull. EC 6-1985, point 1.2 1 *et seq*

³ Bull. EC 12-1985, point 1.1 1 *et seq*

⁴ Bull. EC 6-1986, point 1.1 1 *et seq*

⁵ Bull. EC 12-1986, point 1.1 1 *et seq*

⁶ Bull. EC 6-1985, point 1 3 1 *et seq*

have to depart from a fundamental assumption: there is nothing essential dividing us, nothing essential preventing us from uniting in an area in which free movement of goods, persons, services and capital is guaranteed.

The other precondition of our expansion, faced with the large rival economic areas, is the organizational arrangements we make for the future. A great many decisions already taken or yet to be taken are designed to set up conditions favourable to the birth and growth of new activities. In aiming to standardize the new information technologies we are not seeking to lay down rules just for fun, but so that a common reference can apply to a sufficiently wide market so that production can expand in proper conditions. Similarly, legal protection for semiconductors (the famous chips) is designed to ensure that uncontrolled copying does not paralyse creativity in this area.

According to the Commission's White Paper, 150 decisions (of the original 300) ought to be taken before 1 July of this year. As the Belgian Presidency begins, some 50 of them have already been adopted. There is no question of the Belgian Presidency making up the backlog and having the Council adopt 100 decisions in six months. In fact I have no intention of allowing myself to be caught up in the numbers game.

Achieving the internal market is not a sporting event! What is essential is to keep the impetus going towards the completion of this great design. That is what Belgium intends to do. It will attempt to do it in a balanced fashion, perhaps using the 'package' system. It will endeavour to make progress in all areas, but will concentrate on questions such as patents and trade marks, or even tests and certification, which have a considerable impact on day-to-day trade. It will turn its attention to services and to transport, as it will to measures concerning foodstuffs. It will endeavour to adopt a significant number of directives during the Presidency but will feel no sense of failure if decisions for which it has prepared the ground are adopted after 1 July.

A second fundamental issue will mark the Belgian Presidency, namely what President Delors has graphically described as the Community's 'moment of truth'. The burning issues are: own resources, the common agricultural policy and the structural Funds. The President of the Commission is currently touring the capitals, a practice agreed upon at the London European Council. We are unlikely to know the details of the Commission's proposals before mid-February. But once we do, I have arranged for us to hold an informal meeting of Foreign Ministers straight away to exchange initial reactions. Then the machinery of Community discussion will begin, a process which is

of necessity protracted and painstaking when problems of this magnitude are concerned.

It would be presumptuous of me to express any reaction to proposals which we have not yet received. I need not underline their importance; what is at stake is quite simply the future of our Community. Let me merely make one comment, which concerns Parliament too. In the Europe of today, where each and every State is practising budgetary rigour and putting up with the disagreeable consequences thereof, there will be no new resources for the Community without budgetary discipline. Such discipline is not just a matter for the Council, the Parliament too has its role to play. I am sure that the Commission's proposals will show us the way forward, will allow solidarity to be intensified and common policies to be financed, particularly in the field of research. But if these resources are to be found, the Community must show itself capable of husbanding resources. The decisions adopted by the Council of Agriculture Ministers in December demonstrate the will to control expenditure despite the enormous difficulty of such an undertaking. Parliament too must convince itself of this objective necessity.

The European enterprise has never meant to us simply creating a free trade area. The opening of the market, the creation of a huge economic area must be underpinned by certain conditions and guarantees.

Account must be taken of those geographic areas whose natural or structural assets are less marked than those of other areas; very careful attention also needs to be paid to the social conditions under which major economic changes take place.

Lastly, as a common area is brought about, a collective effort needs to be made in technological research and development.

The Belgian Presidency wishes to respect the balance emerging from the Single Act and will endeavour to carry forward evenly work on the internal market, cohesion and research.

On the latter point, we are determined that the Council should in the next few weeks adopt the framework programme setting out the broad lines of Community action in the years ahead.¹ The budget for this needs to match the requirements identified for the various programmes.

We will be particularly keen to implement the provision in the Single Act for the rapid adoption of a regulation rationalizing the structural Funds, improving their effectiveness and coordinating their action. We wish to implement a cooperative

¹ OJ C 275, 31.10.1986, Bull. EC 7/8-1986, point 1.2.1 *et seq*

strategy for growth and employment. In this, the European Year of the Environment, we also want to carry forward work combating air pollution in particular.

Balance in the implementation of the various Community policies is, for me, of the essence.

In recent years the people of Europe have learned to look to the Community in search, in part at least, of solutions to their problems. They know that agricultural prices and steel quotas nowadays depend on common decisions. Hence they also turn to common institutions in search of a solution to the most unrelenting of all the problems facing our society, that of unemployment. I would like to make it clear here that behind our persistence in pursuing the completion of a vast integrated market, in finding the resources needed for new policies and in involving the Community in growth industries, lies not just the pursuit of a dream or a striving for intellectually satisfying solutions. There is also the rational belief that a common effort along these lines is an essential requirement in order to achieve renewed economic dynamism and only that will in the long run make it possible for the level of employment to improve. We need to get this belief across to public opinion in order to secure on a lasting basis for European integration that ground swell of support from the people without which nothing truly great is achieved in a democratic society.

As regards the budget, our first priority will be to find, as quickly as possible, a solution to the problem that has arisen at the tail-end of the procedure and is blocking adoption of a budget for 1987. This will enable the Community to escape from the provisional-twelfths impasse and deploy its activities normally. It will then also be possible to start discussing changes to certain budgetary instruments, which are clearly inadequate for both Parliament and the Council.

The Community's external activities will this year be marked by international negotiations in GATT (the Uruguay Round) and the Unctad Conference which is to meet in Geneva starting in July. The negotiations in question will cover all the basic problems of the international economy: tariff and non-tariff barriers to trade, liberalization of services, agricultural problems, raw materials and the developing countries' external debt. The Community has a key role to play in these discussions: it is the world's largest trading power, a major producer of services and agricultural products and a major consumer of raw materials. The Presidency will ensure, together with the Commission, that in those negotiations we play a role commensurate with the scale of our interests. As in 1982, the Belgian Presidency will be attending a summit meeting of industrialized countries. The Prime

Minister and I will endeavour to ensure that account is taken of the Community's collective interests and its own personality at the meeting in June at Venice. That will call for appropriate preparation within the Community.

In the background to those meetings are the difficult problems in our trading relations with the United States and Japan. Neither the United States nor the countries of Europe have anything to gain from a trade war. In view of their overlapping political and strategic interests, all stand to lose from such a confrontation.

On both sides of the Atlantic we need to find the perspective to enable us to see the overall picture. This delicate issue is a matter for the Commission to deal with. Personally, in my dealings with the US authorities and in particular with the Secretary of State, Mr Shultz, in a fortnight's time, I shall endeavour to point to the need in economic matters for a level of mutual understanding in line with our political relationship. The United Kingdom Presidency has made a serious attempt to give the Americans a better understanding of European reality. Last December for the first time the 'troika' of Political Directors visited Washington for detailed talks with the US Administration. Mr Shultz has told me that he appreciated that initiative. I shall see that considerable contact is kept up with the United States at all levels. The constant development of our political cooperation increases the risk of failing to understand or misunderstanding, which only regular contact in a spirit of trust can remove.

A similar situation is to be found in our relations with Japan. The climate of trade relations is distinctly poor. The Community's total deficit *vis-à-vis* Japan is not merely disturbing. It is inadmissible, being based on persistent protectionist practices. The wines and spirits issue is a clear example.

Here too, though, political interest should lead us to mutually satisfactory solutions. Japan is, on the other side of the globe, in a situation not entirely dissimilar to our own. It is a strong economic power, yet depends ultimately on the United States to guarantee its security. As a neighbour of the Soviet Union, it is striving for a peaceful relationship without subservience with that military superpower. This similarity naturally prompts a growing interest in political discussions with the European entity. I was aware of that interest in my talks with Mr Kuranari last month and the Belgian Presidency will endeavour to respond. The three Political Directors of the 'troika' are to visit Japan in April to put the common views of the European countries. We will also have ministerial talks on the occasion of the OECD meeting in May before we meet again in June at the industrialized countries' summit.

However, this stepping-up of political relations, which is in itself a desirable thing, cannot in the long run go hand-in-hand with poor economic and commercial relations.

When the President outlines his programme to the European Parliament, he needs to be particularly cautious as regards political cooperation. Its activities in practice concentrate, naturally enough, on the burning international issues of the day, which are generally unforeseeable. When speaking to this House in January 1982, I could not tell that Argentina would invade the Falklands in April and that Israel would invade Lebanon in June, even though at the time these two events were to leave their mark on the Belgian Presidency. That said, I would like to share with you the approach planned and concerns felt at present by the Presidency in this first outline of European foreign policy which we are endeavouring gradually to devise.

In terms of timing our first deadline falls in a few days: this is the meeting in Guatemala of the Third Ministerial Conference between the Community and the Central American and Contadora countries. I am very moved by the appeal made to us by that troubled region, where I have a number of friends — an appeal for economic aid to which the Community will do its best to respond within the limits imposed by its budget. There is also an appeal for political support to which, despite the increase in tension in the region, the countries of Europe must respond, by supporting regional solutions, non-intervention, the peaceful resolution of disputes and a pluralist form of democracy. Is that not the very lesson which the history of our own Community holds for us? It will not surprise you to learn that we shall also be favouring the creation of a Central American Parliament, which would be the expression of the truly democratic will which we perceive in the vast majority of citizens in that region and which would, after the European Parliament, be the second directly elected international Parliament to come into existence.

The question of South Africa, which was such a major issue during the United Kingdom Presidency, remains a fundamental concern. I hope to be able to steer the Community towards initiatives which will help to abolish apartheid, encourage the observance of human rights and promote the peaceful coexistence of the peoples of South Africa. Renewing dialogue with the front-line countries represents, I think, an initial step along that difficult road.

In the Middle East, there seems to be a stalemate. There is no glimmer of any solution to the abominable slaughter in the Iran/Iraq war, or to the interminable calvary of Lebanon, or indeed to the Palestinian problem. Nevertheless, Europe must

continue to show its concern for this part of the world and the Belgian Presidency will endeavour to do just that. I should, in particular, like to see a resumption of the Euro-Arab Dialogue, which has been marking time for some years.

I should also like account to be taken during our Presidency of the new (albeit somewhat tardy) interest being shown by Eastern Europe in the construction of Europe.

This outline of our concerns would not, alas, be complete if I failed to mention the fight against terrorism. For a year now, the Twelve have been stepping up their cooperation in this area considerably. There has been a sharp rise in the number of meetings of the Ministers for Justice and the Interior within the framework of the Trevi Group. A Working Party on Political Cooperation is doing its best to ensure that our activities in this area are coordinated. Numerous non-member countries are now approaching the Twelve in order to harmonize their positions with ours in the fight against terrorism. Belgium will continue these efforts.

In general, the Belgian Presidency will endeavour, as we have always done in the past and as the Single Act enjoins us, to develop pragmatically the potential of political cooperation, including the economic and political aspects of security.

We shall be careful to take account of the political sensitivities which impose constraints on our joint action in the latter sphere.

However, as is universally appreciated, Belgium would like to do more. For me, the two great pieces of unfinished business in the construction of Europe are defence and currency. In matters of defence, we look to the WEU, which has the advantage recently pointed out by Prime Minister Chirac of bringing together nations which, without abandoning their own identity, have decided not to exclude any area from the construction of Europe. The Single Act formally authorizes this dichotomy, which I hope will be short-lived.

As for monetary matters, the slump we witness nowadays demonstrates to perfection the state of incompleteness of the EMS and puts it under serious threat. More than ever, we deem it necessary to examine the issue of the reinforcement of the EMS.

In his recent exposé to the Royal Institute of International Affairs, President Mitterrand said, and I quote him: 'ou bien le système monétaire européen réussira — mais il est menacé — et l'Europe pourra se faire, ou bien il échouera et l'Europe ne se fera pas. Ceux qui contribueront à l'édification, à la consolidation de ce système auront fait le choix de l'Europe; ceux qui ne feront pas cela auront fait choix d'en finir avec l'Europe et de passer à autre chose'. I fully adhere to these words.

In conclusion, I should like to assure the European Parliament that the Belgian Presidency will strive to remain attuned to the Europe of the common man, while not disregarding the Europe of industry and agriculture, of technology and diplomacy. We should all like the man in the street to be more aware of the construction of Europe and Belgium will endeavour to achieve this flexibly and pragmatically.

It should be immediately clear, on crossing any of the borders between us, that our Community is a reality and, until a broader framework exists, I intend to ensure that implementation of the Schengen Agreements progresses. A European dimension should be given to the education of our young people and I should like to salute the work done by existing institutions such as the University Institute in Florence or the College of Europe in Bruges, which are both providing inestimable services. The Erasmus programme of exchanges between universities, a programme bearing the name of a humanist dear to Belgium, should be reactivated. Then I should like to breathe new life into the European Foundation, the creation of which I put forward 10 years ago in my report on European Union and which is not yet operating really smoothly. Finally, the Belgian Presidency, in accordance with a wish expressed at the European Council in London, will see that the 30th anniversary of the Treaty of Rome is properly celebrated ...

Statement by the Commission on the guidelines for its work¹

3.4.2. ... 'The Commission will get its traditional opportunity to present its annual work programme during the February part-session ... Today, therefore, I shall just be talking to you about the coming six months under the Belgian Presidency ...

Europe has two important appointments to keep during these six months. The first, which I have called the 'grand rendez-vous', is with itself, and the second is with an international economic and monetary situation which remains extremely disturbing.

Having not yet visited half the capitals on my itinerary, I have to tell the House — and the various national governments — that these are two appointments that Europe can neither fail to keep nor postpone ...

First Europe's appointment with itself ...

It is a matter of bringing the 12 Heads of Government and the 12 Member States to the point of setting up the means necessary for application of

the Single Act, nothing but the Single Act, but the whole Single Act. This is not to say, let me stress in passing, that the Commission does not mean to exercise its right of initiative beyond the provisions of the Single Act. For the moment, though, we find ourselves in this curious situation where 12 governments have ratified the Single Act, through their parliaments, and we lack the means with which to apply it. For this reason, acting quite independently, in keeping with the Commission's specific responsibility, we are trying to propose the means of achieving the five interrelated objectives of the Single Act: completion of the single market, greater economic and social cohesion, stronger cooperation in the fields of technology and monetary affairs, and finally the social dimension.

The Commission's view is that it would be vain to expect to achieve any one of these objectives without the others. We are talking about the prospects of giving real effect to the Single Act.

How do we propose to go about things? By shortly bringing before you the Commission's proposals in three areas: the budgetary and financial outlook for the Community over the coming years, up to the 1992 deadline for completion of the internal market and, at the same time, the end of the transitional period for the two countries which have joined us most recently, Spain and Portugal; the current reform and future course of the common agricultural policy, with an explanation of the philosophy behind this new common agricultural policy; and, finally, reform of the structural Funds as called for in the Single Act, which is an essential requirement, although not the only one, for achievement of cohesion ...

With regard to the institutional aspects of the Single Act, the Commission welcomes the fact that the Council has modified its rules of procedure, thus putting itself under a certain obligation to vote, in other words to take decisions. Parliament cannot be indifferent to this progress, since it restores a certain balance in the cooperation procedure between the obligations laid on Parliament and those on the Council. I therefore hope that this will make the cooperation procedure easier to work ...

There are also the Commission's executive powers. This matter is on the Council's table, and discussions have so far proved very difficult, but I want to tell you — indeed, it is my duty to do so — that in its second proposal the Commission took Parliament's vote, especially the proposals in Mr Hänsch's report, into account. We found a number of arguments to underpin some of the

¹ Statement to Parliament by Mr Delors, President of the Commission

proposals that we are making, all of which have the same objective in view: as well as better decision-making, we must have speedier and clearer implementation of decisions taken at Council of Ministers level.

Finally, there is voting by qualified majority, another of the Single Act's essential components. I acknowledge with pleasure that the use of voting by qualified majority made appreciable progress under the United Kingdom Presidency, so that the spirit of the European Act has already made its mark on Council of Ministers proceedings.

These remarks on the Single Act would lose all relevance, would be futile even, in the absence of very early settlement of two matters. I refer in the first instance to the 1987 budget.

The compromise submitted to the trialogue by the Commission is not perfect. It goes against the grain of some Member States' principles, but it is in no sense an encouragement to take the easy option.

Moreover, anyone who is not convinced will need do no more than read the Commission's very vigorous proposals on budgetary discipline when they are made public; they call for tighter budgetary discipline, with Parliament sharing responsibility for it with the other authority, the Council.

But if, because there are two venial sins in this 1987 budget, a negative reserve and a slight shifting of Parliament's margin, we are obliged in the mean time to make do with the system of provisional twelfths, the conditions will never be right for Europe's great appointment with itself. The Community will show itself to the world as an organization which is not even capable of making ends meet during an interim phase.

It is no accident that we have proposed the *grand rendez-vous* this year. It is no accident that we were anxious to submit our proposals by 31 December, since the European Council asks us to bring forward any proposals for increasing resources at least a year before the increase in resources is to be put into effect. Moreover, I have had it placed on record by the Foreign Ministers that, in the normal course of events, we would have been able to submit our proposals by 31 December.

The reason for this is that, as of this year, the 1.4% VAT ceiling is no longer tenable, whatever the scale on which reforms might be made, short of a decision to cut all Community expenditure by 20% to 30%.

I therefore beg leave to appeal on behalf of the entire Commission to the Council and Parliament to reach agreement. If we are reduced to the system of provisional twelfths, the climate will become

so bad that it will be impossible to take major decisions.

The second test is the research and development programme, over which the Commission has become more than a little irritated. No one more than me. I have to tell you that unless this programme is adopted, it will become impossible, by the autumn at the latest, for us to continue with, for instance, the *Esprit* programme. I have to tell you that continued failure to adopt this programme would create a quite ridiculous and artificial antagonism between Eureka and the Community. In fact I already note that some governments are using Eureka as a pretext for withholding approval of the Community programme. The Commission has so far supported Eureka. No one more strongly than myself. We have even proposed contributing financially. Let us not get involved in yet another artificial quarrel. The ball is in the Ministers' court, and it is a matter of whether or not they think one of the essential provisions of the Single Act is to be applied even before the *grand rendez-vous* takes place, at a meeting of the European Council. I consider it important for us to have a budget and to be able to implement this research programme, not one of whose priority themes has in fact been disputed. The only disagreement has been over money.

But Europe is also going to have to face up to its external responsibilities during these six months. Whether the problem be the international monetary disorder, which has gone from bad to worse, or this dangerous succession of trade skirmishes with the United States, our strength of will is on trial.

In the case of the monetary situation, there are great similarities, for those with memories long enough, with the period 1977-79. There are great similarities, but there are also differences. Remember what happened when, having played with fire, the American authorities took fright at the prospect of the dollar falling too far and causing serious disruption to their economy, thereby setting up the conditions for an international crisis insusceptible of solution. At that point — it was the first day of November 1978, if memory serves — President Carter had to call on the cooperation of Japan and the leading industrialized nations in Europe to mount a concerted intervention operation to stop the speculation. But that was not enough. Until such time as the United States had announced measures to remedy the defects in its domestic economic policy, the markets did not believe that it was going to do what it eventually did. The same lesson applies this time. Deciding on concerted intervention and coordinating interest rate policies is not going to be enough — useful, but not enough — unless the United States tackles the internal

causes of the current difficulties, which are its budget deficit and the uncompetitiveness of large sections of its industry, which have gone to sleep in the shadow of an overpriced dollar.

This analysis is generally accepted by the Member States, as was seen, for instance, at the Gleneagles meeting of the Finance Ministers. But agreeing on this analysis is not enough. Not wishing to overstate the case, let me just say that the Finance Ministers' meeting that I attended 10 days ago was not the most reassuring experience that one would wish for those who believe in Europe. That is the least one could say. During the meeting I made proposals both for strengthening the European Monetary System — these are public knowledge and contain no major innovations — and for our adopting a common policy on the dollar.

I therefore have a warning for the Member States of the Community. Our responsibility is in question.

It is not going to be enough, tomorrow, to call the fire brigade to put this fire out. It is going to take architects to build a different international monetary order founded on cooperation. And Europe is going to have to play its part. As matters stand, unfortunately, as you know, the Member States are not agreed among themselves on the details of what should go into these two proposals: a common policy on the dollar and a strengthening of the European Monetary System. On the latter point, however, there are some grounds for confidence since the governors of the central banks, who as you know play a predominant role in management of the European Monetary System, have agreed to examine the proposals for strengthening it that have been submitted to them.

The second problem that we have to come to grips with in our external affairs is the succession of trade skirmishes with the United States.

Believe me, the Community has always shown an understanding attitude towards the difficulties of the United States. We are aware of the intensity of the protectionist pressures. But this should not be overdone. Nor should statements by national ministers which undermine the Community's role before its envoys set out to negotiate with the Americans, but of course there are many domestic circumstances which sometimes — often even — cause Europe to be left out of consideration in discussions held at national level.

We have taken the Americans' message. We are aware of their difficulties. But our message to them is: 'Help yourselves, and Europe will help you'. Europe cannot be expected to go on indefinitely putting up with blackmail in the form of the free fall of the dollar or the retaliatory measures taken

in the wake of enlargement. Right is on our side. I feel that the time has come to tell the Americans: 'We are more than happy to be your partners, but your political or economic subcontractors, thank you no!'.

One way or the other, the problem, for all the summit meetings of industrialized countries, is the lack of international cooperation between rich nations, industrialized nations. We see one summit of the industrialized countries after another, but no improvement in sight. So the time has come for Europe, if it really means to affirm its autonomy present and future, the time has come, as I say, for Europe to make an effort, to share the load.

The first point to be noted in this connection is that the prospects for economic growth in Europe during 1987 are less good than was thought a few months ago.

There are several factors at work here. Of course, the competitiveness of our economies is being affected by the falling dollar. The cooperative strategy for growth has received the Finance Ministers' blessing, but it has not been put into practice. We cannot help to solve the world's problems with a growth rate of between 1.5% and 2%.

We are not going to be able to help the underdeveloped countries to increase their exports, nor are we going to be able to help the United States.

We have a historic responsibility here.

We must make an effort, but at present we are each wrapped up in our own national logic of economic rigour and failing to realize that, if we wanted, we have an additional space available for greater growth, more jobs, and more solidarity with the rest of the world ...

Still on the subject of international cooperation, we cannot go on with this subsidization war with the United States. The time has come for us to get round a table and see what our joint responsibilities are. With this policy on subsidies, with this escalating war, we are creating difficulties for the poorest countries, by forcing down world prices. In other words, we are doing the opposite of what we say in our fine words on North-South relations and the opposite of what we are doing under the Lomé Convention ...

On the monetary side ... I am convinced that if the United States, Japan and the European countries could get together in some forum ... and reach agreement on sending a signal to the markets affirming their resolve that action was going to be taken by the United States to correct its domestic policy shortcomings while Japan and Europe pressed for greater growth, that interest rates would be brought down where possible, and that

the whole arrangement would be underpinned by a coordinated intervention policy, then relative calm would be restored to the capital markets and the foreign exchange markets, pending more thoroughgoing reform. At the same time we would be helping to find a solution to the problems of Third World debt ...

I look upon 1987 as a watershed year ... a year which will give the rich countries the opportunity to show their awareness of their responsibilities, a year when Europe can set the example.

By taking this stand, by helping to solve the problems besetting the international community, we shall make a vital contribution advancing the construction of Europe.

Yes, we must apply the Single Act. But we must also make our presence felt in the outside world and play a role commensurate with our ambitions. That is just as important, and I hope we can manage it during these six months.'

5. Eurobarometer

Public opinion in the European Community at the end of 1986

3.5.1. The latest Eurobarometer survey published by the Commission was carried out between 30 September and 14 November 1986.¹ This 26th edition of Eurobarometer is divided into four chapters:

The mood of Europeans. This has clearly improved since the end of 1985.²

A people's Europe. This chapter embraces various topics whose common feature is that they affect more or less directly the day-to-day lives of Europeans: their interests, their image of the Community, European identity, etc. A constant source of surprise is the extent, if not the intensity, in almost all the Member States, of the rather vague sense of goodwill which the Community inspires, or would inspire by addressing its citizens directly, speaking their language, and explaining clearly its aims, the progress being made and the problems involved, as well as highlighting the price of Western Europe's political and institutional 'under-development'.

Attitudes towards Europe and the European Community. This chapter uses data collected systematically since 1973 (and even earlier in certain countries) to chart the trend of attitudes towards the unification of Europe (the ideological and emotional aspect) and Community membership (utilitarian aspect). This edition also includes a number of specific questions asked in the United Kingdom and in Germany and two extremely illuminating questions, asked in all 12 countries, on how Europeans assess the current rate of progress of the unification of Europe and the Community, and what sort of progress they wish to see made.

The European Parliament. The replies here demonstrate clearly the ambivalence of attitudes towards the Community and its institutions: the European Parliament, particularly around the mid-point of the legislative period, has a low profile; its current role is not seen as 'very important'; however, most of those questioned would like to see this institution — elected by the people of Europe — play a more important role in the future.

¹ Eurobarometer No 26 (Brussels, December 1986).

² Bull. EC 1-1986, point 3.5.1.

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