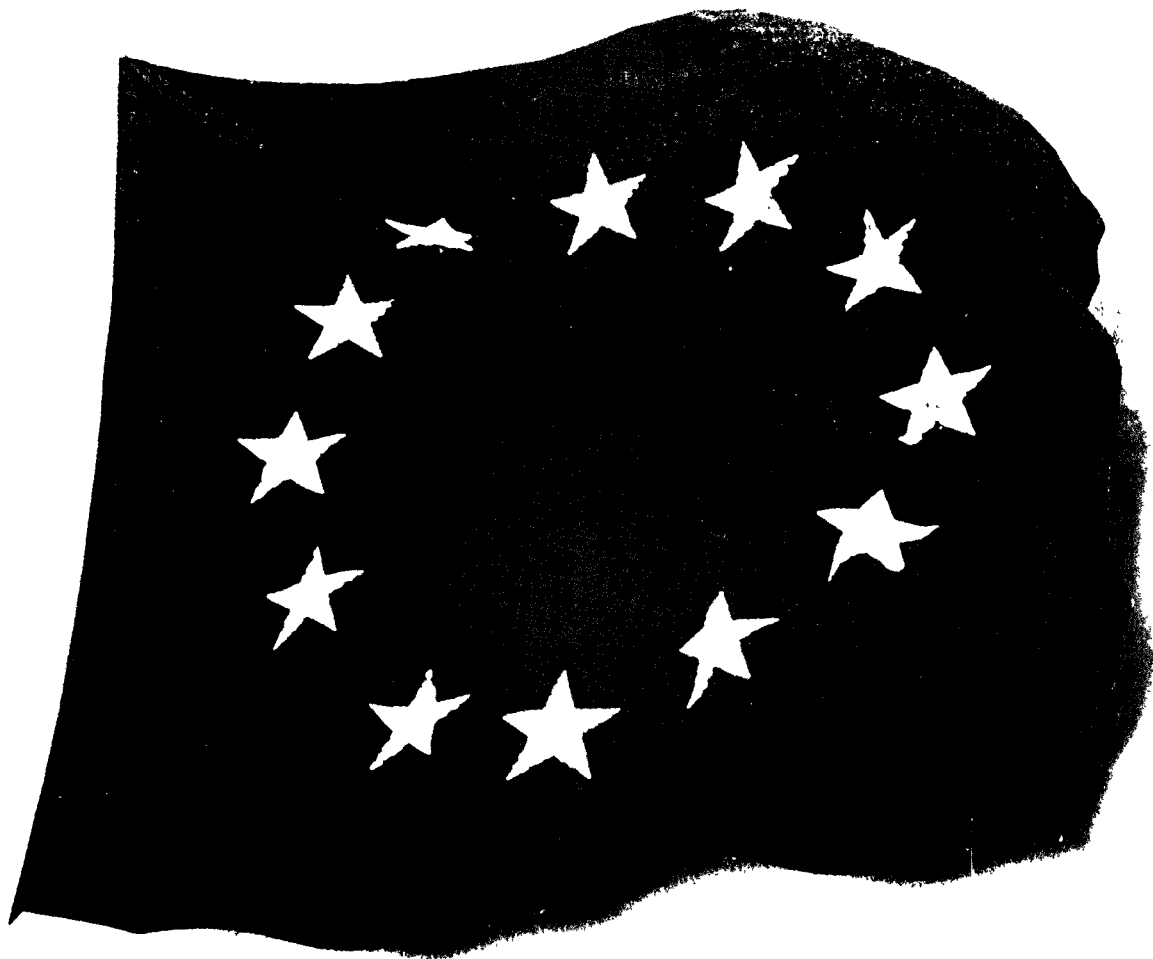


Bulletin of the European Communities

Commission



No 2 1987 Volume 20

The Bulletin of the European Communities reports on the activities of the Commission and the other Community institutions. It is edited by the Secretariat-General of the Commission (rue de la Loi 200, B-1049 Brussels) and published eleven times a year (one issue covers July and August) in the official Community languages.

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The following reference system is used: the first digit indicates the part number, the second digit the chapter number and the subsequent digit or digits the point number. Citations should therefore read as follows: Bull. EC 1-1987, point 1.1.3 or 2 2.36.

Supplements to the Bulletin are published in a separate series at irregular intervals. They contain official Commission material (e.g. communications to the Council, programmes, reports and proposals)

Bulletin of the European Communities

Commission

ECSC — EEC — EAEC

Commission of the European Communities

Secretariat-General

Brussels

No 2 1987 Volume 20

Sent to press in June 1987

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SPECIAL FEATURES

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References in text and footnotes

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

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

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

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

1. The Single Act: A new frontier for Europe

Commission communication

1.1.1. The signing and forthcoming entry into force of the Single European Act and the accession to the Community of Spain and Portugal (following that of Greece in 1981) have brought with them fundamental changes in the structure of the Community and the obligations of the Member States. The Single European Act improves significantly the institutional system and sets new objectives for the Community, notably the completion of the internal market by 1992 and the strengthening of economic and social cohesion. The realization of these two objectives will also respond to the hopes and needs of the countries which have just joined and which rightly expect that their involvement in the Community should underpin their development and help raise their living standards through a combination of their own efforts and support from their partners.

In order to succeed in its new responsibilities, the Community must first complete the reforms it has started, especially since 1984, with the aim of adapting its old policies to the new conditions: the reform of the common agricultural policy to take account of new production and trade conditions, the reform of the structural Funds to make of them instruments of economic development, and the reform of the financing rules to ensure a budgetary discipline as rigorous as that which the Member States impose upon themselves.

Once these reforms have been implemented, the Community will have to have the resources needed to be in a position to achieve the objectives of the Single Act.

By amending the Treaty of Rome in this way, the Member States have set a new frontier for European integration. They have made a qualitative leap forward which must be turned to good account to equip our economies so that they can meet the challenges from abroad and return to more vigorous economic growth, which will create more jobs.

For this reason, the Commission feels that it should set out the conditions that must be met if this great venture is to succeed. This is the thinking behind the proposals¹ Mr Delors laid before Parliament on 18 February in conjunction with the Commission's programme for 1987. These proposals, which were also sent to the Council on 2 March, have a medium-term context, looking towards 1992 as the date by which the large market, without internal frontiers, will be complete.

Reforms needed

1.1.2. These include the further reform of the common agricultural policy, the structural Funds and the Community budget.

Further reform of the CAP

1.1.3. Over the last few decades there has been much technical progress which has led to a sometimes spectacular increase in agricultural productivity, not only in the Community and the other industrialized countries but also in some developing countries. This has led to a growing divergence between production and consumption trends for agricultural products.

This long-term tendency is currently leading to the build-up of agricultural surpluses and fiercer competition on world markets, and sometimes to major commercial conflicts. This means continuous pressure on agricultural prices, both inside and outside the Community, and an appreciable increase in agricultural expenditure.

At the same time, owing also to the various enlargements of the Community, the diver-

¹ COM(87) 100 final. The communication has been published in Supplement 1/87 — Bull. EC, which also contains the texts of Mr Delors's speech introducing the 1987 programme in Parliament on 18 February and of the programme itself.

sity of Community agriculture has increased, as between both different types of farming and different groups of farmers.

However, the great diversity of farming situations should not make us forget what they have in common: more than elsewhere, European agriculture is characterized by a great preponderance of family farms, often quite small in size. This 'European farm model' cannot be abandoned. Agriculture covers some two-thirds of the Community's land area and, given Europe's high population density and the sometimes worrying degradation of the environment, farming must now have an active role to play in environmental protection and nature conservation.

Reform of the CAP — objectives

Controlling production

1.1.4. This should take the form of a restrictive pricing policy, less permanent and more selective intervention, quotas and guarantee thresholds to be fixed at levels which will bite, a greater degree of producer co-responsibility, and, externally, concerted action for greater discipline in production and trade.

Reducing stocks and financing the transition

1.1.5. The aim is to run down existing stocks of livestock products (butter, skimmed-milk powder, beef) to reasonable levels by 1989. The cost of this operation will be around 5 000 million ECU, including 3 200 million for butter alone.

One way of covering this expenditure would be to find a method of financing the transition by separating the physical storage and the reimbursement of Member States (removal from storage in 1987 and 1988, reimbursement from 1989).

Preserving a European agricultural model where most farms are family farms

1.1.6. The socio-structural policy aims to guarantee a fair standard of living for the

poorest farmers; form a framework for measures at national level, so that they will not conflict with Community policy; by varying the contribution to the Community budget, in accordance with each country's level of economic development, ensure more balanced possibilities for action between Member States; ensure greater transparency as regards the close connection between market support and income support. This is an objective which must be held to firmly, as its purpose is to reinforce measures for income support, which is necessary in order to allow for the consequences of the adjustments to the common agricultural policy, especially those resulting from the greater degree of rigour necessary in the management of prices and markets.

This is why the guidance function of the EAGGF must be brought into greater balance with the guarantee function, both politically and fiscally. In this way the CAP's crucial role in ensuring greater cohesion within the Community can be guaranteed.

A Community framework for national aids is necessary for optimum convergence between policies designed at national level and the Community's socio-structural policy.

International cooperation

1.1.7. Only through concerted action with our partners can the Community hope to deal with the problem of erratic prices on world markets, aggravated by monetary factors which lie quite outside agriculture and therefore cannot be handled by agricultural policy measures alone.

It must, however, also resist the lure of protectionism. The rate of growth of the Community economy is largely dependent on trends on world markets. Any approach ignoring this fact will be of little benefit, even from the point of view of the farming sector alone. There would inevitably be a reaction which would be harmful to our agriculture, whose future depends not only on European policy decisions but also on developments in the world at large.

Reform of the structural Funds

The objectives of structural intervention

1.1.8. The Community's structural policies will in future pursue a limited number of simple, clear objectives, stemming from the Single Act and reflecting the needs felt by the people of Europe. They illustrate the Community's political determination to reinforce its economic and social cohesion.

These objectives are:

- (i) achieving growth and adaptation in structurally backward regional economies, so that they can be fully integrated into the Community;
- (ii) converting declining, sometimes devastated, industrial regions, by helping them to develop new activities;
- (iii) combating long-term unemployment, which is now affecting all age groups of Europe's working population;
- (iv) helping to integrate young people into employment;
- (v) speeding up the adjustment of agricultural production structures and encouraging rural development in line with the European social model, with a view to the reform of the common agricultural policy.

Geographical concentration of effort

1.1.9. To maximize the impact of structural intervention, the Commission is proposing a significant effort to concentrate the overall budget appropriations for the structural Funds on schemes helping the less-favoured regions to catch up:

- (i) all of Portugal, Ireland and Greece;
- (ii) certain regions of Spain and the South of Italy;
- (iii) Northern Ireland;
- (iv) the French overseas departments.

The ERDF resources earmarked for these regions may reach 80% of the total.

This geographical concentration would cover about 20% of the population of the Community.

Means suited to the ends

1.1.10. The Commission is proposing to establish four operational principles:

- (i) the doubling, in real terms, of the structural Funds by 1992 in appropriations for commitment; their share of the budget would thus be brought to about 25%, against the present 16%;
- (ii) wider and more judicious use of loan and finance facilities;
- (iii) implementation of multiannual budgetary planning, within the constraints of 'budgetary discipline';
- (iv) more rigorous management of the budget.

From projects to programmes

1.1.11. The main vehicles of structural Fund intervention will be the programmes. These will gradually replace the small projects which entail dispersion of Fund resources and seriously inhibit their efficiency. They will be worked out through close collaboration with the national and regional authorities, and there will be contracts between the Community, the Member States and the regions. Based on preparation, follow-up, and joint assessment of the schemes, the programmes will thus build up a genuine partnership.

With this in mind, eligibility for assistance under the structural instruments should take two distinct forms, based on geographical criteria in the case of the first two objectives (structurally backward areas and declining industrial regions) and horizontal criteria open to all Member States in the case of the other three objectives (long-term unemployment, young people, agricultural production structures).

A detailed description of procedures for the reform of the three structural Funds will be

given in a comprehensive proposal after the Single Act has entered into force. This proposal will recommend the necessary transitions between the present situation and the organization aimed at by the reform by 1992 — for example, the participation of the Funds in the implementation of the integrated Mediterranean programmes.

Reform of the Community budget

1.1.12. The Community's own resources currently break down into about one-third 'traditional' own resources (customs duties and agricultural levies) and two-thirds the VAT call-in, on which there is at present a ceiling of a 1.4% rate of VAT for each Member State.

These arrangements were decided upon at the Fontainebleau European Council in 1984, and their limits have now been reached. Expenditure for 1987 cannot be financed in full within these limits, and at some stage the Commission will have to take the steps needed to bring expenditure down to match the resources available.

This situation is hardly surprising: only by resorting to various makeshifts, such as the storage of agricultural produce, the carry-over of appropriations and the time lag between commitment and payment appropriations, has it been possible to contain the budget artificially within the ceiling. Since 1983 there has been a deficit in the Community budget, disguised by bad accounting practice.

The Commission takes the view that neither in the short nor in the medium term is this situation tenable and that the Community must have a system of own resources which is adequate, stable and guaranteed, giving it a long enough period of 'budgetary security' to allow it to plan its own development, especially while the internal market is being completed.

The Commission's proposal, then, is that the Community be assured of adequate, stable and guaranteed own resources at least

until 1992 to restore a realistic budget and put an end to unacceptable practices.

Sufficient and stable resources until 1992

1.1.13. The Commission's objectives are to ensure a period of 'budgetary stability', to organize a greater stability of receipts and to introduce more flexibility in the combination of resources.

The Commission is proposing an overall ceiling on all resources. Within this ceiling it would have new resources to supplement traditional own resources. And financing by VAT would be adjusted and supplemented by a fourth resource.

An overall ceiling

1.1.14. Reflecting a tendency in the Member States, the Commission is proposing a resources ceiling in the form of a 'maximum rate of the compulsory Community levy' determined by reference to the Community's GNP. The ceiling will be set at 1.4% of Community GNP and should suffice at least until 1992.

New resources

1.1.15. The resources available within 1.4% of Community GNP break down as follows:

- (a) customs duties;
- (b) agricultural levies, with the following changes for these two resources:
 - (i) the 10% reimbursement to the Member States to cover collection costs to be discontinued;
 - (ii) customs duties on ECSC products to be allocated to the Community.

New categories of revenue which replace the harmonized VAT levy

1.1.15a. (a) a 1% levy on the basis actually attracting VAT, that is to say on the

VAT actually collected by the Member States and paid direct to the Community;

(b) a revenue deriving from an additional base linked to the difference between the GNP and the actual VAT base for each Member State;

(c) a fifth resource could possibly be brought in to complete the system.

A fairer pattern of contributions from the Member States

1.1.16. The Commission still refuses on principle to generalize a system based on the calculation of net budgetary positions. To do so would be inconsistent with the notion of Community own resources. The financial advantages (or disadvantages) which may accrue to a Member State because of its membership of the Community cannot in any circumstances reflect, much less measure, its interest in belonging to the Community. The European Council referred specifically to expenditure policy as a means of finding a longer-term solution to the question of budgetary imbalances.

It is proposed to replace the Fontainebleau mechanism by a 'green key' correction based on the gap between the United Kingdom share in Community GNP and its share in agricultural guarantee expenditure. The correction will cover 50% of this gap. The Community's four least prosperous countries (Portugal, Greece, Ireland and Spain) will not be required to contribute to the financing of this correction. The other countries will contribute according to a key related to their relative prosperity.

To take account of the special situation of the Federal Republic of Germany, its contribution to the financing of the correction in favour of the United Kingdom will be 25% of its normal share.

Strengthened budgetary discipline

The facts

1.1.17. Efforts to achieve budgetary discipline, as agreed by the Brussels and Fon-

tainebleau European Councils, have not yet produced satisfactory results. There are a number of reasons for this, mostly reflecting difficulties inherent in the present institutional system.

A system of budgetary discipline with no clear rules, binding on all the institutions, brings with it the seeds of a lasting institutional conflict and is therefore very limited in its effectiveness.

A contractual basis

1.1.18. The Commission is therefore proposing the introduction of rules on budgetary discipline which will help to promote consensus between the two arms of the budgetary authority. They will apply both to commitment and to payment appropriations. On the basis of its multiannual estimates for 1987-92, it will propose that the decision on own resources should specify (as a percentage of GNP and in absolute values) the maximum amount of own resources likely to be called in each year up to a ceiling of 1.4% of the Community GNP until 1992. This provision, which will have to be approved by the 12 national parliaments in accordance with Article 201 of the EEC Treaty, will be the cornerstone of budgetary discipline. It will thus have force of law.

Within this framework, the Commission is proposing the conclusion of an inter-institutional agreement between Parliament, the Council and the Commission, whereby the three institutions would enter into certain formal undertakings to ensure the smooth implementation of the budget procedure under Article 203 of the Treaty.

The principles

1.1.19. The formal undertakings by Parliament, the Council and the Commission are:

(a) compliance with the ceiling for both commitment and payment appropriations: 1.4% of GNP and annual fixing of intermediate ceilings;

(b) control of agricultural expenditure:

(i) continued reform of the CAP in order to control agricultural production, which is a prerequisite for the efficient control of agricultural expenditure;

(ii) limitation of the increase in EAGGF guarantee expenditure to the rate of increase of the own resources base, i.e. GNP; the regulations intended to ensure the lasting control of production will be supplemented by budgetary stabilizers in addition to those already in existence or contained in Commission proposals for 1987/88 (oil seeds, olive oil); these stabilizers will have to be binding, even automatic, so that there can be no budget overrun;

(iii) rigorous application of existing restrictive mechanisms (quotas, co-responsibility, limitation on subsidies).

(iv) need for more rapid decisions by the Council and possibly increased Commission powers in managing the markets;

(v) 'multiannual perspective' to be submitted annually to Parliament and the Council;

(vi) budgetary discipline and the ceiling on the own resources to apply to commitment and payment appropriations;

(c) no overrun of the maximum rate of increase as laid down in Article 203 (8) of the EEC Treaty except for expenditure connected with the implementation of policies in the Single European Act;

(d) multiannual budget forecasts to constitute an important tool which will assist the maintenance of budgetary discipline.

New rules for budget management

1.1.20. The introduction and observance of strict budgetary discipline by the three institutions calls for changes both in the practices and in the rules governing the preparation and execution of the budget. These changes are an essential part of the need for budgetary discipline and should encourage its observance. The eventual aim is to gain better control of expenditure and improve its effectiveness.

Means

1.1.21. *Avoidance of over-budgetization of budget headings.* The Commission is planning a dual approach to this question. First, as far as practice is concerned, it undertakes to ensure that its requests for appropriations correspond as closely as possible to the actual scope for execution and the take-up capacity of potential beneficiaries. Second, a multiannual approach to the planning of expenditure will allow for a better response to any expression of political will to strengthen certain measures.

Strict compliance with the principle of annuality. The Commission wants to place greater emphasis on the principle of annuality of the budget and the transparency of available appropriations by means of the following measures:

(i) the automatic arrangement whereby commitment appropriations remain in existence and payment appropriations are carried over is to be discontinued; this would require changes to the Financial Regulation and specific regulations, notably those covering the structural Funds; as a result, any appropriations which are not used or reallocated would lapse;

(ii) the budgetary authority is to be informed at the start of the year how the Commission intends to use appropriations which have not lapsed.

Improving the monitoring of budget operations. Inadequate monitoring of the operations or programmes for which commitments have been made leads to major departures from planned schedules, and this goes a long way towards explaining why the appropriations entered in the budget are so unreliable a guide and utilization rates inadequate. The Commission therefore plans to report to the budgetary authority on the execution of the schedules announced at the time of the adoption of the budget and the verification and, where appropriate, cancellation of 'dormant commitments', i.e. commitments with no real counterpart in terms of projects or programmes to be financed.

Systematic examination of the effectiveness of Community intervention in terms of objectives.

Respect for annual ceilings of own resources. The multiannual forecasts will become a tool for budgetary management by providing for a steady and gradual pro-

gression of expenditure avoiding excessively rapid encroachment on available new resources. They will act as a rolling plan enabling a line of action to be maintained in the medium term.

These new management procedures will obviously require substantial reform of the financial legislation.

2. Proposals for agricultural prices and related measures for 1987/88

1.2.1. With its proposals on reform measures to ensure the success of the Single European Act (→ point 1.1.1 *et seq.*), the Commission adopted, on 15 February, its proposals for agricultural prices and certain related measures for 1987/88,¹ and a general report on changes to be made to the agri-monetary system,² with a view to the completion of the internal market.³ The adoption of these proposals at the same meeting is not a coincidence. For one thing, the Community cannot achieve the new and ambitious objectives spelled out in the Single Act unless the efforts which have been made to adapt the farm sector and the common agricultural policy in recent years, in particular to scale down the surpluses and curb the upward movement of costs to the budget, are maintained. Conversely, it is vital that a common agricultural policy adapted to the new requirements should be supported by an improved institutional framework, by stronger instruments enabling greater economic cohesion to be achieved within the Community and by a financing system providing sufficient, stable and guaranteed 'own resources' for the Community in coming years.

1.2.2. The Commission's proposals on agricultural prices and certain related measures for 1987/88 are related to this wider

context. They must therefore also be seen in the light of the Commission's paper 'The Single Act: a new frontier for Europe', and in particular of the proposals for the rationalization and strengthening of the structural instruments and for action to be taken to support the incomes of farms most affected by the adjustments being made.

The proposals for prices and related measures for 1987/88 continue work on adapting the policy started in the preceding marketing year, following up the decisions of April 1986 on the prices and related measures for 1986/87⁴ and those adopted in December 1986 on milk and beef/veal.⁵ They also follow the guidelines⁶ which the Commission adopted after consultations it carried out in connection with the Green Paper on the future of the CAP.⁷

Continuity and perseverance are essential to the success of the effort to adapt the policy: the objective of the new proposals

¹ COM(87) 1 final.

² COM(87) 64 final.

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

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

⁵ Bull. EC 12-1986, points 1.2.1 *et seq.*, 2.1.211 *et seq.* and 2.1.219 *et seq.*

⁶ Bull. EC 12-1985, point 1.2.1 *et seq.*

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

remains unchanged—that of increasing the farmer's awareness of market realities and ensuring that his decisions are more closely related to the actual scope for unsubsidized disposal of products. This process should gradually lead either to a better balance of the market or to the assumption by the farmer himself of responsibility for the cost of disposing of surpluses. The means to the achievement of this objective also remain the same—a restrictive policy on pricing, less rigid EEC commitments as regards buying-in, the application of farmers' co-responsibility mechanisms and the pursuit of a policy for improved quality.

1.2.3. The restrictive policy on pricing means in practice, depending on the product, either no change or a reduction in the prices paid for 1986/87. In only a very small number of cases has the Commission proposed modest increases in the prices expressed in ECUs, the aim being to encourage farmers to switch to products or qualities for which there is a market demand and which will not prove excessively costly for the Community budget. The restrictive policy on pricing is also reflected in agri-monetary proposals consistent with this approach, thus avoiding excessive increases in the support prices when expressed in national currencies, due to devaluations of the 'green' currencies: the impact of the proposals on the average level of support prices for agricultural products is a reduction of 0.5% for the prices expressed in ECUs and an increase of a bare 0.2% for the prices expressed in national currencies (Community of Ten). But it should not be forgotten that some of the related measures proposed, notably those tightening up qualitative criteria and those eliminating the monthly increases in the intervention prices, entail reductions—some of them appreciable—in the prices guaranteed to farmers.

1.2.4. Less rigid buying-in is designed to ensure that intervention acts more as a 'safety net' and less as a market outlet in its own right. For milk and beef, important decisions were adopted on this subject by the Council in December 1986. Decisions with the same objective had also been taken

for other product groups on the occasion of the 1986/87 price review.¹ The Commission is proposing further action along these lines, in particular: cereals to be bought in only from February to May, and olive oil and oilseeds to be bought in only for the last four months of the marketing year; the monthly increases to be discontinued, except for cereals and peas and field beans and sweet lupins; the monthly increases for cereals to be smaller and to be confined to the period during which cereals are actually bought in; introduction of an intervention threshold for tomatoes for processing.

1.2.5. Increased co-responsibility for producers will include the introduction, for olive oil and soya, of a scheme for guaranteed maximum quantities and the introduction of a special sugar levy to eliminate the part of the overall loss not covered by the 1986/87 production levies. As for the co-responsibility levy introduced in 1986 for cereals, in view of the impact on farmers' incomes of the measures proposed in this area as regards prices and intervention, the Commission is proposing that the co-responsibility levy be maintained at the same level in 1987/88 as in 1986/87.

1.2.6. The policy for improved quality will be based not only on price variations in terms of quality or in order to encourage varieties for which market demand is stronger (tobacco, rice, rape, etc.), but also on more specific measures (olive oil, wine, etc.).

1.2.7. It must be stressed that, separately from the measures the Commission has already proposed under the socio-structural policy² and those it has announced with regard to income support, the Commission feels strongly that allowance must be made for the special circumstances in which certain farmers work, and has proposed *inter alia* the maintenance of the aid (120 million

¹ Bull. EC 4-1986, points 1.4.1 *et seq.* and 2.1.106 *et seq.*

² OJ C 273, 29.10.1986; Bull. EC 4-1986, point 1.3.1 *et seq.*

ECU) for small grain farmers and an increase in the production aid for olive oil for small growers. It is also proposing an increase in the aid granted for durum wheat in the areas where durum growing is traditional; this is a counterpart to the reduction in the intervention price proposed for this cereal.

Some related measures

1.2.8. The Commission is proposing the measures summarized below for the products specified.

Cereals

(a) Maintenance of the intervention price for common wheat of bread-making quality, reduction of 2.6% in the intervention price for feed wheat, rye and sorghum, and a reduction of 2.5% for maize;

(b) reduction of 4.7% in the intervention price for durum wheat and an increase in the production aid for this product of 12.4%;

(c) maintenance of co-responsibility at its present level (3%) and maintenance of the overall amount for direct aids to small farmers (120 million ECU);

(d) cereals to be bought in only from February to May;

(e) the monthly increases in the intervention price to continue, but by a smaller increment (2 ECU and not 2.45 ECU), and only for the period during which cereals can be bought in.

Sugar

(a) Intervention prices to be reduced (by 2%);

(b) the minimum price for A beet to be at 98% and B beet at 68%;

(c) introduction of a special 'elimination' levy to account for that part of the overall loss for 1986/87 not covered by the yield from levies applicable to that marketing year.

Wine

(a) Guide prices to be reduced (by 2%);

(b) Council to be reminded of the urgent need for a decision on the measures proposed (in the

1986/87 price package) for limitations on replanting rights ranging from 20 to 50%;¹

(c) annual establishment of the percentage of production exceeding a specific level liable for compulsory distillation (replacing the figure of 85% of the average of the harvests of the regions concerned, calculated over the three wine years 1981/82, 1982/83 and 1983/84);

(d) organization of a verification facility.

Fruit and vegetables

(a) The basic and buying-in prices for cauliflower, aubergines, grapes, tomatoes, apples and pears to be maintained; the prices of oranges and lemons to be reduced by 2.5% and those of apricots, peaches and mandarins by 5%;

(b) financial incentive of 2% of the aid to support the policy on contracts for processed tomatoes;

(c) introduction of an intervention threshold for tomatoes equal to 10% of Community production (10 countries), beyond which the basic price and the buying-in price to be fixed for the following marketing year will be reduced by 1% for each surplus 10 000 tonnes, up to a maximum of 20%.

Milk

In the light of the decisions adopted last December:²

(a) present prices to be maintained;

(b) buying-in of salted butter to be discontinued on 1 April 1988; on the other hand, for the next three years unsalted butter manufactured from sweet cream may be bought in;

(c) the co-responsibility level to be maintained at 2% (1.5% for the first 60 000 litres delivered by farmers in less-favoured areas, and exemption from the levy for farmers in mountain and hill areas).

Beef/veal

In the light of the decisions taken last December:³

(a) present prices to be maintained;

(b) permanent application of the Community classification scale for beef carcasses bought in, the

¹ Bull. EC 4-1986, point 2.1.110.

² Bull. EC 12-1986, points 1.2.1 *et seq.* and 2.1.211 *et seq.*

³ Bull. EC 12-1986, points 1.2.1 *et seq.* and 2.1.219 *et seq.*

scale having so far been tried out only on an experimental basis.

Agri-monetary proposals

1.2.9. There are two main aspects to the agri-monetary proposals: adaptation of the agri-monetary system now in force (the 'switch-over' or 'green ECU' system) and specific proposals for dismantling the MCAs existing for the 1987/88 marketing year.

Adaptation of the agri-monetary system

1.2.10. Complying with its statutory requirement to report to the Council by 31 December 1986 on the operation of the green ECU system introduced in March 1984,¹ the Commission has now submitted its report.² However, the content of this document goes beyond what was originally required, in that it constitutes a general review of the agri-monetary situation as it has now developed. The Commission bore in mind, in particular, the objective of completing the internal market and the need to strengthen the economic and social cohesion of the Community, as advocated in the Single Act.

1.2.11. The Commission draws the following conclusions from its analysis.

The Community must revert to an agri-monetary system which is consistent with the general monetary system. This aim cannot be achieved immediately. The move should therefore be by stages:

(i) the Commission notes that some procedures now operated under the 'switch-over' system (set up in March 1984¹) could well form an obstacle to the efforts being made to adjust the CAP, in that they are generating artificially a potential for price increases in most of the Member States. This danger has been aggravated by recent instability within the EMS.

Consequently, it proposes that, from the next marketing year onwards, the system should be adapted in such a way that any 'artificial' creation of negative MCAs is *automatically* neutralized by a corresponding reduction of the prices in ECUs, spread over two equal stages beginning for each product at the beginning of each of the two marketing years following the currency alignment;

(ii) the principle of special green rates, deviating from real economic circumstances, to be discontinued in 1992; the MCAs and the differential amounts also to be eliminated at that date.

1.2.12. The Commission also proposes:

(i) the introduction of a wider maximum 'neutral margin' than the present neutral margins, within

which the Commission would fix—using the management committee procedure—the levels applicable by product group, referring to certain criteria;

(ii) the retention for pigmeat of MCAs based on a percentage of the basic price (35%);

(iii) the introduction of differential amounts for peas and field beans and sweet lupins, and the extension of the MCAs to other product groups (olive oil), but with a wide neutral margin;

(iv) the establishment of arrangements for the adaptation of the green rates for products attracting MCAs and, for products not attracting MCAs, a prompter reversion to more realistic rates—at least in trade.

Proposals for dismantling existing MCAs

1.2.13. The Commission takes the view that the drive to dismantle these amounts must be continued. The negative MCAs created³ following the currency realignment of 12 January⁴ are not to be eliminated until a year hence. On the other hand, the MCAs, including the positive MCAs, existing before that date should normally be eliminated, with two exceptions: the Greek MCAs and the British MCAs.

Accordingly, it proposes:

(i) total dismantlement of the MCAs in force on 12 January 1987 in France, Italy, Ireland, Spain and Portugal;

(ii) a 4-point dismantlement of all the existing MCAs in the United Kingdom and a 5-point dismantlement in Greece;

(iii) dismantlement of the positive MCAs in Germany and the Netherlands.

Amendment of current regulations on oils and fats

1.2.14. Another important aspect of the 1987/88 price proposals is the proposals for the amendment of current legislation on oils and fats. In this connection, it should be remembered that the Act of Accession of Spain and Portugal requires the Commission to make proposals on oils and fats

¹ OJ L 90, 1.4.1984; Bull. EC 3-1984, point 2.1.116 *et seq.*; OJ L 164, 24.6.1985; Bull. EC 6-1985, point 2.1.115.

² COM(87) 64 final.

³ Bull. EC 1-1987, point 2.1.87.

⁴ Bull. EC 1-1987, point 2.1.1.

enabling discussion to start as soon as possible after accession. This need had again been emphasized when the 1986/87 prices and related measures were adopted.¹

In the light of previous discussions and the mounting cost to the budget of oils and fats, largely due to the lack of protection at frontiers and to the recent sharp fall in world prices, the Commission is proposing in the first place a set of measures to reduce costs within the Community:

- (i) introduction of a system of maximum quantities for olive oil and soya; this would mean that where production exceeds a quantity fixed by the Council, the unit aid paid would be reduced *pro rata*;
- (ii) strengthening the criteria for application of the same system for rape and sunflower;
- (iii) a 5% reduction in the price of soya, a 3% reduction in the price of rape, and maintenance of the price for sunflower; offsetting this, the Commission proposes that the premium for the production of 'double zero' rape should be doubled.

1.2.15. Although the set of measures proposed will have an appreciable impact on farmers' incomes and in the long term will therefore have the effect of halting the growth of output beyond the maximum quantity guaranteed, in present and foreseeable circumstances these measures cannot possibly suffice to yield a reduction in expenditure making an effective contribution to the achievement of budgetary equilibrium.

Accordingly, the Commission believes that it would be fair to effect an improved allocation of costs as between farmers, taxpayers and consumers through a consumer price stabilization mechanism. The mechanism should ensure both consumer price stabilization for oils and fats at a reasonable level and absolute neutrality as regards imports. It would operate as follows:

- (a) the average of ex-refinery refined soya oil prices charged in the Community over the last five years (1981 to 1985) is taken as the mechanism reference level;
- (b) each year, the average of the prices of the preceding year is compared with the reference level; if the difference is positive, a levy is charged matching the difference, on any vegetable or marine oil or fat released for human consumption in the Community or used for the production of food for consumption in the Community; if the price average exceeds the reference level and this situ-

ation could interfere with the consumption of the relevant oils and fats, a consumption aid would be paid;

- (c) the levy would be charged or the aid paid on the out-take of the product from the refinery or on import;
- (d) the revenue from the levy would be paid to the EAGGF and assigned to the financing of the CAP as regards oils and fats; it would thus constitute negative intervention expenditure;
- (e) the unit amount of any levy would in no circumstances in the future exceed that established for the first period of application of the mechanism (from 1 July 1987 to 31 December 1988).

In view of the implementing procedures proposed, the Commission takes the view that the stabilization mechanism should not have an impact on the level of consumption and that it is in line with the Community's international undertakings.

Budgetary implications

1.2.16. The proposals for prices and related measures for 1987/88 are in line with the action taken in recent years to improve market equilibrium and, consequently, curb the growth of expenditure.

The effect of the measures approved so far (reduction in milk quotas, a co-responsibility levy on cereals, a more restrictive policy on prices over several years, etc.) *plus* those now proposed should be to ensure that agricultural expenditure increases less rapidly than the Community's own resources from 1988 onwards, provided that the effects of exogenous factors (e.g. exchange-rate changes) remain comparable with those referred to for the present assessment.

The overall impact for 1987 of the package now proposed is an estimated saving of between 1 200 million and 1 300 million ECU, of which about 500 million ECU should be yielded by the stabilization mechanism for oils and fats.

On the other hand, for 1988, the savings for the EAGGF Guarantee Section are put at somewhere between 3 500 million and 3 700 million ECU, of which 2 100 million ECU would accrue from the stabilization mechanism.

1.2.17. The figures corresponding to the Commission's proposals for 1987/88 are shown in Tables 6 to 9.

¹ Bull. EC 4-1986, point 2.1.109.

3. Central America-Community dialogue

Ministerial conference in Guatemala City

1.3.1. The third ministerial conference between the Community and its Member States and the countries of Central America¹ and of the Contadora Group² on the political dialogue inaugurated in San José, Costa Rica, on 28 and 29 September 1984³ and continued in Luxembourg on 11 and 12 November 1985,⁴ and on economic cooperation between the Community and the Central American countries, was held in Guatemala City on 9 and 10 February. Mr Claude Cheysson represented the Commission.

A joint political declaration and a joint economic communiqué were issued at the end of the conference. Those taking part were:

For the European Community

Mr Leo Tindemans,
Minister for External Relations (Belgium), President of the Council

Mr Uffe Elleman-Jensen,
Minister for Foreign Affairs (Denmark)

Mr Jürgen Ruhfus,
Minister of State at the Federal Ministry of Foreign Affairs (Federal Republic of Germany)

Mr Theodoros Pangalos,
Deputy Minister for Foreign Affairs (Greece)

Mr Francisco Fernández Ordóñez,
Minister for Foreign Affairs (Spain)

Mr Didier Bariani,
State Secretary at the Ministry of Foreign Affairs (France)

Mr John Swift,
Assistant Secretary-General at the Department of Foreign Affairs (Ireland)

Mrs Susanna Agnelli,
State Secretary for Foreign Affairs (Italy)

Mr Robert Goebbels,
State Secretary at the Ministry of Foreign Affairs and External Trade (Luxembourg)

Mr Hans Van den Broek,
Minister for Foreign Affairs (Netherlands)

Mr Eduardo Azevedo Soares,
State Secretary at the Ministry of Foreign Affairs (Portugal)

Baroness Young,
Minister of State for Foreign and Commonwealth Affairs (United Kingdom)

Mr Claude Cheysson,
Member of the Commission of the European Communities

For Central America

Mr Mario Quiñones Amezcuita,
Minister for External Relations (Guatemala)

Mr Ricardo Acevedo Peralta,
Minister for External Relations (El Salvador)

Mr Carlos López Contreras,
Minister for External Relations (Honduras)

Mr Miguel d'Escoto Brockman,
Minister for External Relations (Nicaragua)

Mr Rodrigo Madrigal Nieto,
Minister for External Relations and Religious Affairs (Costa Rica)

For the Contadora-Group countries

Mr Julio Londoño Paredes,
Minister for External Relations (Colombia)

Mr Bernardo Sepúlveda Amor,
Secretary of Foreign Affairs (Mexico)

Mr Jorge Abadía Arias,
Minister for External Relations (Panama)

Mr Simón Alberto Consalvi,
Minister for External Relations (Venezuela)

¹ Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

² Colombia, Mexico, Panama and Venezuela.

³ Bull. EC 9-1984, point 1.3.1 *et seq.*

⁴ Bull. EC 11-1985, point 1.2.1 *et seq.*

*Observer for the Permanent Secretariat
of the General Treaty on Central
American Economic Integration*

Mr Raúl Sierra Franco,
Secretary-General.

**Joint political declaration
on political dialogue and economic
cooperation between the European
Community and its Member States,
and the countries of Central America
and of the Contadora Group**

1.3.2. ...

3. The Ministers expressed their profound gratitude to the President of the Republic of Guatemala, at whose invitation the Conference had been convened. They also warmly thanked the Government and people of Guatemala for their excellent reception and the perfect organization of the Conference, which had enabled it to proceed smoothly.

4. The participants in the Guatemala Conference saw it as reaffirming the commitment agreed in the Final Act of the Luxembourg Conference, to institutionalize and develop through annual meetings, in principle at ministerial level, the political dialogue between them, in accordance with the principles set out in the San José Declaration of 29 September 1984.

5. They remain convinced that this political dialogue will contribute to the efforts of the countries of Central America, with the support and encouragement of the Contadora Group, to find a negotiated, regional, global and peaceful solution, coupled with adequate machinery for verification and supervision, in order to put an end to the violence and instability in the area and to foster respect for international law, human rights, social justice, economic development and fundamental freedoms.

6. As agreed in the Final Act of the Luxembourg Conference, this peaceful solution must be based on the principles laid down in the United Nations Charter, the OAS Charter, the Universal Declaration of Human Rights, the Declaration of Human Rights and Duties and the American Convention of Human Rights and on the Contadora Group's 'Document of objectives', which has been approved by the Central American Presidents.

7. The participants recollected that the signing of the inter-regional framework Cooperation Agreement between Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, as parties to the General Treaty on Central American Economic

Integration, and Panama on the one hand, and the European Economic Community on the other, had underlined the political will of the two regions to lay the foundations for closer cooperation and achieve common goals by implementing that agreement swiftly and in full.

8. They reiterated their conviction that with this Agreement, economic, trade, financial and development cooperation and the new structure of inter-regional relations between the countries of the European Community and those of Central America would be based on equality and mutual respect between Sovereign States.

9. They agreed that the accession of Spain and Portugal to the European Community in January 1986 had, in view of the cultural and historical heritage which those countries shared with Latin America, imparted fresh impetus to the strengthening of understanding and cooperation between Europe and Latin America.

10. The participants reviewed developments in and related to Central America in the period since they had last met in Luxembourg on 11 and 12 November 1985. The Ministers expressed their satisfaction at the growing momentum of democracy in the region, constituting as this did a fundamental step towards its consolidation. They again reaffirmed their common conviction that peace could not be brought about by force and that the peace initiative of the Contadora Group and the Support Group represented the Latin American chosen means for finding solutions to the regional crisis. They accordingly reiterated that the peace initiative in question continued to be at present the only means through which a peaceful, negotiated solution to the Central American crisis could viably be reached.

11. They recalled that the meeting of the Ministers for External Relations of the Contadora Group and the Support Group on 12 January 1986 in Caraballeda (Venezuela), had given a new impetus to the peace process. They affirmed the continuing validity of the 'Caraballeda message' on peace, security and democracy in Central America, and defining the lasting foundations of mutual trust which would revive the spirit of negotiation and make possible the attainment of the ultimate objective of the signing and entry into force of the Contadora Act for peace and cooperation in Central America.

They welcomed the Guatemala Declaration signed on 14 January 1986 by the Ministers for External Relations of the Central American countries in which they expressed their attachment to the objectives and principles of the Caraballeda message.

12. The participants particularly welcomed the historic meeting of the five Central American Presi-

dents which took place at Esquipulas on 24 and 25 May 1986. In the Esquipulas Declaration, the Central American Heads of State affirmed their support for the Contadora process as the best political forum at present available for the achievement of peace and democracy and the reduction of tensions. They also affirmed that peace in Central America could come about only as a result of an authentic democratic process that was pluralistic and participatory, and which implied the promotion of social justice and respect for human rights, the sovereignty and territorial integrity of States and the right of all nations to determine, freely and without outside interference of any kind, their own economic, political and social model, it being understood that it is the freely expressed will of the peoples that determines this model.

13. The delegations expressed their support for the proposal advanced at the Esquipulas Summit by the President of Guatemala to establish a Central American Parliament. They noted with satisfaction the decision that this Parliament should be elected by direct universal suffrage and hoped that its creation would contribute to strengthening the full application of international law, democracy and cooperation among the Central American States, in particular the process of regional integration. The representatives of the Member States of the European Community and of the Contadora Group countries viewed with approval the creation, institution and activities of the Central American Parliament Preparatory Commission set up by the Esquipulas Summit, and its efforts to set up organic and permanent regional political forums at the highest level whose tasks would be to impart momentum to the process of integration in the area in peace, harmony and security. They accordingly intend to lend their fullest support to such initiatives with a view to securing the most expeditious possible signing of the acts which would bring them into being. The participants from Europe wished to foster cooperation between the European Parliament and the Central American Parliament as soon as it takes shape. The Central American countries, for their part, underlined the need to adopt a system for the election of representatives to the Central American Parliament on the basis of common rules which encourage true ideological pluralism guaranteeing the broadest participation by all sectors and helping to strengthen the democratic process in the States concerned.

14. The Ministers for External Relations of the Central American States and of the Contadora Group of States expressed their satisfaction at the various messages voicing support from the 12 Member States of the European Community in connection with the above meetings.

15. The participants considered that the presentation by the Contadora Group to the Central American States of a revised draft Contadora Final Act on 7 June 1986 represented an important stage in the negotiation process.

They noted that certain Central American States had concluded, after detailed study, that there remained points in the draft Act which required further amendment. The Ministers for External Relations of the 12 Member States of the European Community and of the Contadora Group urged the Central American States to continue their negotiations with close adherence to peaceful means of resolving disputes and to basic principles and standards of coexistence between nations.

16. The participants welcomed the statements made on 1 October and the communiqué published on 18 December 1986 by the Contadora Group and the Support Group, and the visits made in January 1987 by the Ministers of the Contadora Group and the Support Group and the Secretaries-General of the United Nations and the OAS, which showed their governments' determination to continue to strive towards peace in the face of a conflict which had obvious implications for stability throughout Latin America.

17. They took note of the communiqué of 21 January 1987 issued after the Ministers for External Relations of the Contadora Group and Support Group countries, and the Secretaries-General of the UN and the OEA, had completed their tour of the five Central American countries, this tour constituting an unprecedented event which highlighted the support of the international community for the peace initiatives.

18. They welcomed with satisfaction the joint *aide-mémoire* of 18 November 1986 emanating from the Secretaries-General of the UN and the OAS, which refers to the range of services which both organizations could provide to complement or consolidate the initiatives undertaken within the Contadora framework.

19. They reaffirmed the objectives of the political dialogue and economic cooperation undertaken between the European Community and Central America as set out in the joint political communiqué of the Luxembourg Ministerial Conference.

20. They noted that increasing tension in the area made it correspondingly more urgent to find a negotiated settlement which must be based on the principles of pluralist democracy and full respect for human rights and fundamental freedoms, independence, non-interference, self-determination and the inviolability of frontiers.

The Ministers of the European Community and of the Contadora Group appealed to the countries of

Central America urgently to take simultaneous measures to create a climate of mutual trust, thus demonstrating their political will to reach an agreement.

21. They reiterated their conviction that it was essential for all countries with links and interests in the region to make a genuine contribution towards creating a favourable climate in which the Contadora objectives could be translated into an agreement which could bring lasting peace and stability to the region. They also declared themselves convinced that appropriate implementing and follow-up mechanisms would be essential to maintain the mutual trust required for the agreement to be applied.

22. The countries of the European Community reiterated their willingness to support, to the extent that they were able and if so requested, the action of the States which would be responsible for implementing the terms of the future Act for peace and cooperation and, in particular, to contribute to the implementing and follow-up mechanisms.

23. The delegations agreed that the next meeting would be held next year in Europe, in accordance with the alternation rule.

Joint economic communiqué between the European Community and the countries parties to the General Treaty on Central American Economic Integration and Panama following the conference on political dialogue and economic cooperation between the European Community and its Member States, the States of Central America and the Contadora Group

1.3.3. The Community and the States parties to the General Treaty on Central American Economic Integration and Panama, hereinafter referred to as the countries of the Central American Isthmus, expressed satisfaction at the ratification and the imminent entry into force of the Cooperation Agreement signed in Luxembourg on 12 November 1985, which bore witness to the consolidation and institutionalization of economic cooperation between the two regions.

In this connection, the Ministers for Foreign Affairs of the countries of the Central American Isthmus placed on record their satisfaction at the accession of Spain and Portugal to the European Communities and expressed their conviction that this would contribute to the strengthening of links between the European Community and the countries of the Central American Isthmus.

1. The Community and the countries of the Central American Isthmus are united in the conviction that regional economic cooperation, particularly in the context of the process of economic integration of the Central American Isthmus, represents the best possibility of promoting economic interdependence and solidarity which would raise living standards and contribute to political and social stability in the Central American region.

The Ministers therefore reiterated the importance of taking practical measures to step up economic, trade, financial and development cooperation among the countries of the Central American Isthmus and between them and the European Economic Community in order to impart fresh impetus to economic growth in the region.

The Ministers and the Commission expressed their satisfaction at the forthcoming entry into force of the Cooperation Agreement signed on 12 November 1985 in Luxembourg between the European Economic Community and the countries of the Central American Isthmus. They recommended that the Joint Committee should meet within the coming three months mainly in order to lay down criteria and procedures for cooperation, to adopt its rules of procedures and the work programme for its first year of operation.

2. The Ministers noted that the world economy, and especially the economies of the industrialized countries, had continued to grow for the fourth successive year. However, there were disparities between rates of economic growth in different countries.

Despite the fall in international interest rates and in oil prices, the countries of the Central American Isthmus had continued to be troubled by the low growth in world trade, by negative fluctuations in international prices for their commodity exports by the still rather unfavourable trends in the terms of trade, by the lack of equilibrium in their overall trade balance, by the fact that it was impossible to reduce imports appreciably without adverse effects on production and in social terms, and in particular by the high cost of debt servicing. This situation was exacerbating political and social instability and thereby seriously affecting economic and social structures which were in any case excessively fragile.

3. The Community reaffirmed its commitment to increase substantially the total volume of aid, in all forms, granted to the region of the Central American Isthmus, in accordance with the statement in Annex II to the Cooperation Agreement signed in Luxembourg on 12 November 1985.

The Ministers for Foreign Affairs of the countries of the Central American Isthmus noted that in 1985, even before the entry into force of the Cooperation Agreement, there had already been a

considerable increase in this aid and that the increase had related in particular to technical and financial assistance to regional projects.

They voiced the hope that this trend would be consistently maintained after the entry into force of the Agreement.

The Community and the Ministers for Foreign Affairs of the countries of the Central American Isthmus agreed on the need to study priority regional projects within the Joint Committee in order to achieve the objectives set out in the Cooperation Agreement.

4. The Ministers for Foreign Affairs of the countries of the Central American Isthmus noted with satisfaction the aid provided by the Member States of the Community under bilateral and multi-lateral arrangements, in particular through non-governmental organizations, the Office of the United Nations High Commissioner for Refugees and the International Committee of the Red Cross.

They also welcomed the intention shown by the Community and its Member States of enhancing the effectiveness of their respective measures through increased coordination of their efforts.

5. The Ministers and the Commission reiterated their determination to support the programme designed to reactivate, revitalize and restructure Central American economic integration in the fields of intra-zonal trade, the restructuring and expansion of the industrial sector and tariff and customs aspects. They agreed on the need to achieve balanced development by promoting the export production and exports of the countries with a chronic deficit in intra-zonal trade. Similarly, they agreed to reinforce programmes relating to industrial, agro-industrial and agricultural development, basic supplies, health, housing in the context of rural development, food security and the fostering of cooperatives, taking advantage of the potential complementarity of the economies of the countries of the Central American Isthmus.

6. The Ministers for Foreign Affairs of the countries of the Central American Isthmus confirmed their decision to reinforce the existing regional integration institutions in Central America. For its part, the Community resolved to step up its support for the process of regional integration by directing its financial and technical assistance to this process as a matter of priority. The Community also stated its readiness to consider such requests for assistance as the Central American side might submit in connection with the election by universal suffrage of the Central American Parliament, which would constitute a major institutional advance.

7. The Ministers and the Commission confirmed the importance of training and upgrading of

human resources in the framework of cooperation between the two regions.

They agreed on the need to implement programmes of professional, technical and scientific training oriented *inter alia* towards projects with a social impact. They also noted that the Community was prepared to establish, possibly acting in coordination with the Member States, specific training programmes for public and trade union officials and business management staff in the areas in which the countries of the Isthmus intended to develop their regional cooperation.

8. The Ministers and the Commission confirmed the interest which they attached to developing trade between the two regions and also the importance to the countries of the Central American Isthmus of diversifying their production and markets and of further stabilizing their export earnings.

In view of this, the Community declared its intention of:

(a) paying special attention, in the framework of the implementation of the objectives of cooperation with the countries of the Central American Isthmus, to the problems that would arise as a result of variations in the volume of earnings from their commodity exports;

(b) supporting the countries of the Central American Isthmus in their efforts to sell their traditional products on European Economic Community and third-country markets;

(c) adopting special measures and arrangements to enable the countries of the Central American Isthmus to derive full benefit from the European Economic Community's Generalized Scheme of Preferences and to examine other improvements to the GSP system in the framework of the Joint Committee set up under the Cooperation Agreement;

(d) promoting export production and exports of non-traditional export products from the countries of the Central American Isthmus to European Economic Community and third-country markets taking appropriate account of the scope for improved application of the GSP.

In this connection, the Community stated its readiness to continue the action it had undertaken with a view to the diversification of exports, in particular through the regional organization Asoexpo.

9. The Ministers and the Commission acknowledged the important contribution made by the Central American Bank of Economic Integration to the economic development of the region. In this context they welcomed the cooperation initiatives the Community had already undertaken with that institution, particularly its effective involvement in a programme it was financing jointly with a Mem-

ber State concerning the development of small and medium-sized undertakings. The Ministers for Foreign Affairs of the countries of the Central American Isthmus noted with satisfaction the Community's intention of strengthening this cooperation.

They also noted that the Bank was now open to participation by non-Central American partners. They welcomed the interest shown by certain Member States in taking part in the activities or in contributing to the capital of the Bank, bearing in mind also the need to strengthen the structures and the administration of the Bank.

10. The Ministers and the Commission confirmed the importance of strengthening industrial, scientific and technical cooperation between the two parties in the framework of implementation of the Cooperation Agreement. In this context they will examine any measure that could promote the participation of European economic operators in the development of the region, including joint investment projects, particularly those aimed at small and medium-sized undertakings.

11. The Ministers emphasized the importance of stepping up private European investment in order that, by complementing national investment, it might help to improve the economic situation of the Central American Isthmus and its development. In this connection they pointed to the need to foster conditions propitious to expansion of investment through agreements to promote, stimulate and protect investment.

12. The Ministers and the Commission viewed with satisfaction the agreement reached between El Salvador, Guatemala and Honduras to develop jointly their common border area in the region of 'El Trifinio'.

The Ministers for Foreign Affairs of the countries of the Central American Isthmus thanked the European Economic Community for the support it had provided for this project. They also recommended that, in view of the beneficial contribution of such initiatives to the process of Central American integration, similar initiatives should be encouraged in other border areas in the region.

13. The Ministers for Foreign Affairs of the Central American Isthmus greeted with satisfaction the European Economic Community's interest in the implementation of a regional food security programme, including the establishment of a regional storage centre in Central America which would enable rapid and adequate assistance to be given when an emergency arose.

14. The Ministers and the Commission confirmed the need to preserve and strengthen the multilateral trade system in conformity with inter-

national standards and principles and restated their determination to contribute to reducing tensions in international trade and to halt and push back protectionism and other restrictive practices in order to ensure that trade expanded to the benefit of all countries, in particular that of countries whose level of development is low.

They welcomed the decision taken at Punta del Este by consensus to put in hand a new round of multilateral trade negotiations, which should lead to greater liberalization of trade in many sectors which traditionally were of interest to the countries of the Isthmus.

15. The Ministers also emphasized the importance of the seventh United Nations Conference on Trade and Development, which would provide an opportunity of considering and discussing together the problems of the link between external debt, development, trade and international financing. The task of considering these problems ought to lead to a constructive discussion and further strengthen North-South cooperation.

The Ministers for Foreign Affairs of the countries of the Central American Isthmus expressed their satisfaction that the choice of venue for the Latin American Preparatory Meeting for Unctad VII had fallen on Costa Rica, and thanked the Secretariat of the Conference for the technical and logistical support that it was providing.

16. The Ministers and the Commission expressed their concern at the problem of debt servicing, which placed a heavy and permanent burden on the economic development of the developing countries and in particular those of the Central American Isthmus.

They referred in this connection to the recent United Nations resolution on reinforced international economic cooperation with a view to resolving the developing countries' external debt problems; the resolution stressed the need to approach the external debt problem as part of a strengthened and improved strategy of cooperation on the part of the international community, with a view to attaining durable, equitable and mutually acceptable solutions.

They also acknowledged the importance of all the points of the resolution the aim of which was to foster durable world growth and development, and implied in particular the participation of all parties involved, including creditors, debtors, multilateral financial institutions and private international banks.

In this context, the Community Ministers declared their readiness to pay particular attention to the problems of the external debt of the countries of the Central American Isthmus, taking into account the cooperation between these countries and the European Economic Community.

17. The Ministers of the European Community and the Commission confirmed their willingness to cooperate and act in concert with the countries of the Central American Isthmus in the various international bodies concerned, with a view to strengthening North-South relations.

18. In the light of the continuing presence of groups of refugees in various countries of the region, the Ministers acknowledged the sterling work being done in Central America by the Office of the United Nations High Commissioner for Refugees (UNHCR) and agreed on the need to support programmes aimed at the voluntary repatriation of refugees, with UNHCR cooperation.

The Ministers were also agreed on the desirability of introducing programmes for the reintegration of repatriated and displaced persons into the productive life of their countries.

19. The Ministers for Foreign Affairs of the countries of the Central American Isthmus expressed their appreciation to the European Economic Community and its Member States for the assist-

ance given to the Republic of El Salvador following the earthquake which devastated the capital of that country in October last, causing tragic loss of life and heavy damage.

The Ministers and the Commission reaffirmed their solidarity with El Salvador and confirmed their intention of participating, in coordination with the Member States, in the efforts to rebuild the country.

20. Finally, the Ministers and the Commission confirmed that they attached great importance to strengthening contacts between Brussels-based representatives of the countries of the Central American Isthmus and Community institutions and between foreign-posted representatives of the Commission and of the Member States of the European Community and the governments of the countries of the Central American Isthmus and their regional organizations and institutions. In this connection, it was agreed that it would be within the Joint Committee provided for in the Cooperation Agreement that recommendations for giving effect to cooperation under the Agreement would be made.

4. Community action against AIDS

1.4.1. On 11 February the Commission transmitted to the Council, Parliament and the Economic and Social Committee a communication on the fight against AIDS, containing a proposal for Community action to reinforce the effectiveness of action taken at national level.¹

AIDS

1.4.2. Detected for the first time in June 1981 in Los Angeles, acquired immune deficiency syndrome (AIDS) is a contagious viral disease which leads to high morbidity and mortality rates, and against which no effective vaccine or other treatment has yet been found. It is spreading at an alarming rate, with the number of cases reported in the Community doubling about every nine months.

Since it is now known that the retrovirus which causes AIDS is transmitted mainly through sexual activity or blood, preventive measures can now be taken, particularly with regard to high-risk categories.

Community action so far

1.4.3. The European Community joined the fight against AIDS at an early stage. Parliament adopted two resolutions on the subject, in January 1984² and March 1986.³

In September 1983 the Commission set up a group of experts to look into the problem;

¹ COM(87) 63 final.

² OJ C 46, 20.2.1984; Bull. EC 1-1984, point 2.4.10.

³ OJ C 88, 14.4.1986; Bull. EC 3-1986, point 2.4.7.

this was followed in 1984 and 1985 by four workshops — on immunology, virology, epidemiology and clinical research. On 29 October 1986 it transmitted to the Council a multiannual research and development coordination programme in the field of medical and health research (1987-89), to enable the Community to expand the scope of medical research to new areas, among the most important of which are cancer and AIDS.¹ On 29 May 1986 the Ministers for Health meeting within the Council adopted a resolution on AIDS, inviting the Member States and the Commission to examine what defensive measures could be taken.² And last December the European Council meeting in London asked the Commission to ensure effective Community-wide exchange of information about the spread of the disease, its prevention and treatment, to examine what further cooperative measures could be taken by all the Member States, and to consider the scope for further cooperation in research.³

The Commission's communication

1.4.4. The Commission is convinced that Community action is possible and necessary in the fields outlined below:

Exchange of experience in the field of public information and health education

1.4.5. The Commission intends to set up an observation unit to coordinate, assess and disseminate information on national practices in terms of public information and health education. It would enable each Member State to draw on the experience of others, while avoiding unnecessary and costly duplication. The Commission plans to make 2 million ECU available for this purpose over two years.

The problem of measures threatening fundamental rights

1.4.6. A number of national AIDS screening measures may well endanger the full exercise of a number of fundamental rights of Community citizens. These range from obstacles to the free movement of persons in the form of compulsory blood tests for people entering certain Member States after long stays in non-Community countries, to restrictions on the freedom of establishment and equal access to employment for certain high-risk categories. The Commission will take steps to discuss these problems in detail with the Member States' representatives responsible for AIDS prevention.

Medical research

1.4.7. The Commission, following its initiative to make an epidemiological study of AIDS in Africa, has drawn up a proposal for a multiannual coordination programme in the field of medical and health research covering the period 1987-89.¹ This will concentrate on monitoring and preventing the disease, viro-immunological research and clinical research.

The budget required to carry out the programme is estimated at 5.45 million ECU.

International cooperation

1.4.8. Faced with the scale on which the HIV virus is spreading, cooperation in AIDS research has been established between the Community, the World Health Organization, the United States, Sweden, Switzerland, Canada and a number of Lomé Convention countries. The Commission is ready to cooperate with developing countries to combat AIDS, specifically by supporting governments which ask for help in stepping up primary prevention.

¹ Bull. EC 10-1986, point 2.1.49.

² Bull. EC 5-1986, point 2.1.66.

³ Bull. EC 12-1986, point 1.1.19.

ACTIVITIES IN FEBRUARY 1987

1. Building the Community

Economic and monetary policy

Council

2.1.1. At its economic and financial affairs meeting on 9 February, the Council approved the terms of an agreement reached in OECD concerning an amendment to the Arrangement on Guidelines for Export Credits (→ point 2.1.2).

Economic situation

2.1.2. On 2 March the Commission sent to the Council, in accordance with Article 2 of the Council Decision of 18 February 1974 on convergence,¹ a communication on the economic situation in the Community in the first quarter of 1987.²

This document, which is produced at the same time each year to enable a first examination to be made of the implementation of the main economic policy guidelines adopted by the Council the previous year,³ this year contains a series of Commission ideas and suggestions for improving the coordination of economic policies in the Community by increasing the effectiveness of the examinations of the Community's economic situation which the Council carries out regularly pursuant to its 1974 Decision on convergence. At the beginning of this year it takes on special significance because of two recent changes in the world economic situation: the unexpectedly rapid depreciation of the dollar and the slowdown in world trade. While these developments have led the Commission to revise most of the main elements of its previous forecasts, they have underlined the validity of the 'cooperative growth strategy for more employment'.⁴

The faster than expected depreciation of the dollar and the slowdown in world trade are curbing Community exports. Investment is also affected. According to current forecasts, the growth rate in the Community

for 1987 will be only around 2.3% (compared with 2.5% in 1986), and even this forecast can be regarded as optimistic in view of the major risks still inherent in the international environment. The Community is therefore likely to remain on a growth path at best sufficient to stabilize the unemployment rate at its present—unacceptable—level of 12% of the labour force, without any sign of the reduction in the number of unemployed which is aimed at in the medium term. The outlook is not very encouraging, since the balance of payments disequilibria between the major industrialized areas impose a serious handicap on the stability of the international monetary system and on world trade. If such disequilibria are to be reduced, domestic adjustment policies must be pursued with determination, which presupposes in particular that the United States budget deficit is reduced at the pace expected by the US Administration and that in Japan the right conditions are created to allow domestic demand to take up the running rapidly from exports. The Community will have to assume its share of responsibilities by strengthening further the internal components of its own growth. The 'Louvre Communiqué' of 22 February⁵ sets out how the members of the Group of Seven intend to endeavour to facilitate the international adjustment process, boost growth in a context of price stability and stabilize the exchange rates of the main international currencies at their present level.

The main lines of the economic policy recommendations set out in the 1985-86 Annual Economic Report—'A cooperative growth strategy for more employment'⁴

¹ OJ L 63, 5.3.1974.

² COM(87) 77 final.

³ OJ L 385, 31.12.1986; Bull. EC 10-1986, point 1.1.1 *et seq.*

⁴ OJ L 377, 31.12.1985; Bull. EC 12-1985, point 2.1.2; Bull. EC 10-1985, point 1.3.1 *et seq.*

⁵ Issued by the Group of Seven, which comprises the United States, Japan, Canada, the Federal Republic of Germany, the United Kingdom, France and Italy. The Group was set up at the Tokyo Western Economic Summit: Bull. EC 5-1986, points 1.3.2 and 3.4.1.

—and confirmed in the 1986-87 report¹ remain entirely valid. In particular, completion of the internal market will significantly strengthen the Community's productive capacity; rapid progress in this area would provide welcome signals. However, the current weakening of overall demand suggests that the strategy measures should now be stepped up and applied with determination, not only those which concern supply-side conditions but also those relating to demand. The Commission asked the Council to study all the possibilities for 'a cooperative acceleration of budgetary actions to strengthen supply and sustain demand conditions', in accordance with the latest Annual Economic Report.

It is in the Federal Republic of Germany that the room for manoeuvre available seems the largest. Various means, which could complement one another, are available to the Federal Government to reinforce the determinants of growth. The measures could result in a limited and temporary increase in the general government deficit. It must remain clear however that such an increase will not call into question the necessary control of public debt in the medium term. In two other Member States—France and the United Kingdom—major progress has been achieved in the trend of the public debt, but the budgetary situation in the two countries is still less solid than in Germany and the external constraint still imposes a large degree of prudence on them. If cooperation at Community level helped to strengthen the growth of intra-Community trade, these Member States could nevertheless consider certain measures to improve their productive potential, the corollary being an acceptable slowdown in the reduction of their budget deficits. In most of the other Member States, the consolidation of public finance generally remains a priority objective which could be achieved at a higher level of activity and employment if the Community context were to become more dynamic.

The Commission invites employers and unions to continue their efforts to improve

further the profitability of firms and to boost significantly the propensity to invest. It reiterates its invitation to governments, employers and unions to initiate or intensify the social dialogue at national level on all the aspects of the cooperative strategy with a view to making progress towards a solution of the unemployment problem.

The Commission accordingly considers that there is a greater need than ever to coordinate economic policies within the Community. It believes that the task of bringing down unemployment will be made easier by the dynamic effects generated by completing the internal market. However, completing the internal market, and in particular liberalizing capital movements and financial services, call for greater coordination of economic policies as a whole, since the entire adjustment effort cannot rest solely on the EMS and on monetary policy. In addition, economic policy coordination is an important factor in strengthening economic and social cohesion. Article 130 B inserted into the EEC Treaty by the Single European Act stipulates that 'Member States shall conduct their economic policies, and shall coordinate them, in such a way as to attain' this objective.² It was for these reasons that the European Council at its meetings in The Hague and London in 1986³ requested the Commission to monitor effectively implementation of the cooperative growth strategy for more employment.

The Commission thus considers that, while the 'convergence Decision' provides an appropriate framework, a number of changes should be made to increase its effectiveness. The key change should be to ensure that greater account is taken of the economic policy recommendations for the Community for the following year when the preparation of public budgets is being discussed at national level and to involve Parliament and the Economic and Social

¹ OJ L 385, 31.12.1986; Bull. EC 10-1986, point 1.1.1 *et seq.*

² Supplement 2/86 — Bull. EC.

³ Bull. EC 6-1986, point 1.1.2; Bull. EC 12-1986, points 1.1.1, 1.1.2, 1.1.4 and 1.1.5.

Committee more actively in the opinion-forming process at Community level. The Commission proposes in particular that:

- (i) the role of its communication to the Council meeting in March should be left unchanged;
- (ii) the content of the communication to the Council meeting in July should be expanded; in addition, the Commission requests the Council to ask the Governments of the Member States to pass on the communication and any conclusions drawn by the Council to the national parliaments so that they can be discussed in the autumn debates on economic and budgetary policy at national level;
- (iii) the procedure for drawing up and approving the Annual Economic Report should remain unchanged; while being reduced in length, the Report would continue to be the main reference document for Community economic policy; the Commission considers it important that final adoption of the Report should take place after the Council has discussed it in the light of the various opinions delivered.

Free movement of capital

Protective measures

2.1.3. On 25 February the Commission decided¹ to extend the scope of the existing safeguard clauses for Italy,² Ireland³ and Greece⁴ to certain operations covered by the Council Directive of 17 November 1986 concerning the liberalization of capital movements,⁵ which came into force on 28 February. The extension relates to newly liberalized operations of the same nature as those covered by the initial derogation or involving an equivalent risk to the balance of payments.

Community borrowings

Loan to Greece

2.1.4. With a fourth borrowing operation (→ point 2.3.11),⁶ the Commission com-

pleted the funding of the second instalment of 875 million ECU which the Council had approved in December 1986⁷ as part of the medium-term financial assistance for Greece it had endorsed in November 1985⁸ under the Community loan mechanism for balance-of-payments support to Member States.⁹

Monetary Committee

2.1.5. The Monetary Committee held its 331st meeting in Brussels on 12 February under the chairmanship of Mr Tietmeyer. It began to examine measures to reinforce the operation of the European Monetary System. It also held an initial discussion on the effects of complete liberalization of capital movements.

Internal market and industrial affairs

Completing the internal market

Council

2.1.6. The first Council meeting on internal market issues under the Belgian Presidency, held on 24 February, focused on matters relating to a people's Europe. No measures were officially adopted, but progress was made on proposals concerning the right of residence,¹⁰ ways of easing frontier

¹ OJ L 63, 6.3.1987.

² OJ L 171, 28.6.1986; Bull. EC 6-1986, point 1.3.4.

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

⁴ OJ L 357, 18.12.1986.

⁵ OJ L 332, 26.11.1986; Bull. EC 11-1986, point 1.1.1.

⁶ Bull. EC 1-1987, point 2.3.11.

⁷ Bull. EC 12-1986, point 2.1.5.

⁸ Bull. EC 11-1985, point 1.3.2.

⁹ OJ L 73, 19.3.1981; Bull. EC 2-1981, points 1.3.1 to 1.3.6.

¹⁰ OJ C 207, 17.8.1979; Bull. EC 7/8-1979, point 2.1.14; OJ C 188, 25.7.1980; OJ C 171, 10.7.1985; Bull. EC 6-1985, point 2.1.15.

controls and formalities¹ and a general system for the recognition of higher education diplomas.²

Implementing the White Paper

2.1.7. The Commission adopted, for transmittal to the Council, two proposals for Regulations liberalizing access to the road transport market. One lays down the conditions under which non-resident carriers may operate national road passenger transport within a Member State; the other sets out common rules for the international carriage of passengers by coach and bus (→ points 2.1.169 and 2.1.170).

Free movement of goods

Technical standards and regulations

2.1.8. On 20 February the Commission sent the Council two proposals for Directives concerning the procedure for the provision of information in the field of technical standards and regulations:³

(i) The first would extend the scope of the Directive of 28 March 1983⁴ to all industrially manufactured products other than agricultural products.

(ii) The second would introduce a procedure for the provision of information in the field of technical standards and regulations relating to agricultural products. The aim of this proposal is to render the provisions of the 1983 Directive applicable to agricultural products, subject to certain adjustments where necessary.

Both these proposals are in line with the commitments undertaken by the Commission in June 1985 as set out in the White Paper on completing the internal market.⁵ As a result of these proposals, in conjunction with the Directive of 22 December 1986 relating to high-technology medicinal products,⁶ Article 5 of which makes reference to the Directive of 28 March 1983, there would accordingly be set up a general procedure for the provision of information on

draft technical regulations concerning all products.

With a view to the completion of the single internal market, this mechanism as a whole will play an essential role in preventing new technical barriers to trade from arising. It will also constitute a preferential instrument for the creation of a technical climate common to all enterprises.

Removal of technical and administrative barriers to trade

Industrial products

2.1.9. In the context of the White Paper on completing the internal market,⁵ on 6 February the Commission sent the Council a proposal for the amendment⁷ of the Council framework Directive of 23 February 1970 on the type-approval of motor vehicles and their trailers.⁸

The proposed amendments are intended to simplify and reduce exchanges of documents between the national administrations responsible for approvals under the Community Directives on motor vehicles.

Foodstuffs

2.1.10. In accordance with the provisions of the Council Directive of 15 July 1980 relating to the exploitation and marketing of natural mineral waters,⁹ which came into force on 17 July 1984,¹⁰ Spain provided the Commission with a list of recognized mineral waters.¹¹

¹ OJ C 47, 19.2.1985; Bull. EC 12-1984, point 2.1.9; OJ C 131, 30.5.1985; Bull. EC 5-1985, point 2.1.9.

² OJ C 217, 28.8.1985; Bull. EC 7/8-1985, point 1.4.1; OJ C 143, 10.6.1986; Bull. EC 5-1986, point 2.1.96.

³ OJ C 71, 19.3.1987; COM(87) 52 final.

⁴ OJ L 109, 26.4.1983; Bull. EC 3-1983, point 2.1.8.

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

⁶ OJ L 15, 17.1.1987; Bull. EC 12-1986, point 2.1.30.

⁷ OJ C 48, 25.2.1987, COM(87) 26 final.

⁸ OJ L 42, 23.1.1970.

⁹ OJ L 229, 30.8.1980.

¹⁰ Bull. EC 7/8-1984, point 2.1.18.

¹¹ OJ C 53, 28.2.1987.

2.1.11. The Scientific Committee for Food delivered its 17th report on certain monomers and other basic substances for use in the manufacture of materials and objects of plastic intended to come into contact with foodstuffs.¹

Pharmaceutical products

2.1.12. On 9 February the Council adopted a recommendation concerning tests relating to the placing on the market of proprietary medicinal products,² thus completing the work on the package of five Commission proposals for high-technology medicinal products.³

Businesses

Improving the business environment

2.1.13. The Committee of Heads of Industrial Policy Departments met on 13 February and decided, on a proposal from the Small Business Task Force, to set up a sub-committee, as requested by the Council at its industrial affairs meeting on 3 November 1986,⁴ with the principal aim of reviewing, comparing and assessing measures taken to improve the business environment, at both Community and national level.

Steel

The Community steel industry

Market management

Crisis measures

Production quotas

2.1.14. On 3 February the Commission adopted the definitive rates of abatement for the first quarter of 1987,⁵ which had

been provisionally adopted on 1 December 1986,⁶ by slightly reducing the rates for production of wide strip, namely hot-rolled hoop and sheet (Ia) and cold-rolled sheet (Ib).

The amended abatement rates and the corresponding production quotas for the first quarter of 1987 are shown in Table 1.

Table 1 — *Definitive rates of abatement for establishing the production quotas for the first quarter of 1987*

Product category	Abatement rates (%)	Corresponding production quotas ¹ (1 000 t)
Ia Hot-rolled wide strip — hoop and sheet	52	3 612
Ib Cold-rolled sheet	48	2 815

¹ Theoretical quotas without additions or other adjustments.

Lower abatement rates became possible as a result of recent export orders from outside the Community won by some steel undertakings. Steel demand within the Community, on the other hand, scarcely changed.

2.1.15. On 23 February the Commission adopted the provisional abatement rates for establishing the production quotas for the second quarter of 1987.⁷ These rates are shown in Table 2.

¹ Bull. EC 12-1984, point 2.1.20.
² OJ L 73, 16.3.1987.
³ OJ L 15, 17.1.1987; Bull. EC 12-1986, point 2.1.30; OJ C 392, 5.11.1984; OJ C 122, 22.5.1986.
⁴ Bull. EC 11-1986, point 2.1.22.
⁵ OJ L 33, 4.2.1987.
⁶ OJ L 339, 2.12.1986; Bull. EC 12-1986, point 2.1.43.
⁷ OJ L 54, 24.2.1987.

Table 2 — *Provisional rates of abatement for establishing the production quotas for the second quarter of 1987*

Product category	Production	Share of the quota that may be delivered in the common market
Ia Hot-rolled wide strip — hoop and sheet	53	57
Ib Cold-rolled sheet	46	47
Ic Galvanized sheet	—	—
II Reversing-mill plate	47	54
III Heavy sections	53	56
IV Wire rod	39	37
VI Merchant bars	45	42

The economic situation in the Community is encouraging and industrial activity should pick up as a result of seasonal factors; investment prospects are also favourable. According to some indicators, however, the steel industry will not benefit in full from this seasonal improvement and export opportunities will remain limited. Consequently, the restrictive abatement rates already fixed for the first quarter of

1987¹ (→ point 2.1.14) were relaxed only slightly for the second quarter.

Market situations

2.1.16. A survey of the situation of the Community steel industry up to 1985, particularly with regard to production, deliveries, foreign trade and steel consumption, is given in the 1986 Statistical Yearbook published by Eurostat.²

2.1.17. Crude steel production of the Community (excluding Greece) is expected to amount to 10.27 million tonnes in February according to provisional Eurostat statistics, compared with 9.79 million tonnes in January and 10.48 million tonnes in February 1986. Although the monthly figures have been consistently lower than those of the previous year, the gap has narrowed considerably. The difference between this February and February 1986 is almost solely due to a drop in German production and a slight decline in the Benelux countries, while output in the other countries is either stable or on the increase.

2.1.18. Table 3 gives figures for continuously cast crude steel in the Community excluding Greece from 1975 to 1985.

¹ Bull. EC 12-1986, point 2.1.43.

² Statistical Office of the European Communities, L-2920 Luxembourg.

Table 3 — *Continuously cast crude steel in the Community excluding Greece, 1975-85*

	million tonnes, exc. Ireland										
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Belgium	4.1	5.7	14.6	21.1	23.4	25.5	30.6	33.0	38.4	49.5	60.0
Denmark	13.1	43.2	50.6	55.7	58.8	73.3	95.8	96.8	97.4	99.5	100.0
Germany (FR)	24.4	28.3	34.0	38.0	39.0	46.0	53.6	61.9	71.8	76.9	79.5
France	12.9	18.1	23.7	27.5	29.7	41.3	51.4	58.5	63.8	66.9	86.0
Ireland (%)	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	100.0	100.0
Italy	27.0	32.2	38.5	41.5	46.4	49.9	50.8	58.5	68.2	73.3	78.4
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	7.0	19.4	24.1	26.2	28.3
Netherlands	0.0	0.0	0.0	0.0	0.0	5.9	21.2	31.0	36.0	38.7	39.1
United Kingdom	8.5	9.7	12.5	15.5	16.9	27.1	31.8	39.0	46.6	52.0	54.8
EUR 9	16.5	20.1	25.4	28.9	30.9	39.1	45.1	52.8	60.4	65.4	71.1
Spain	21.0	22.7	25.8	29.0	31.7	36.4	39.5	41.9	45.9	49.4	56.8
Portugal	8.4	15.0	36.7	40.1	37.7	42.6	37.2	47.1	43.4	39.6	43.7

2.1.19. The Steel Committee predicts a further drop in overall production in the OECD countries in 1987; following the 6% drop in 1986, the reduction this year is not expected to exceed 1.7% and will probably mainly affect the United States (-2%) and Japan (-4%), while Community production is expected to remain stable.

2.1.20. World production of crude steel¹ over the period 1980-86 is summarized in Table 4.

¹ Bull. EC 2-1985, point 2.1.14; Bull. EC 3-1986, point 2.1.21; Bull. EC 8-1986, point 2.1.22.

Table 4 — *Steel production in the main producer countries*

	million tonnes								
	1986	1985	1984	1983	1982	1981	1980	1986/1985 (%)	1986/1980 (%)
USSR	160.0	154.5	154.2	152.5	147.2	148.5	147.9	3.6	8.2
Japan	98.3	105.3	105.6	97.2	99.5	101.7	111.4	- 6.7	- 11.8
United States of America	73.8	80.1	83.9	76.8	67.7	109.6	101.5	- 7.9	- 27.3
China	51.9	46.7	43.3	40.0	37.2	35.6	37.1	11.1	39.8
Germany (FR)	37.1	40.5	39.4	35.7	35.9	41.6	43.8	- 8.4	- 15.3
Italy	22.9	23.9	24.1	21.8	24.0	24.8	26.5	- 4.2	- 13.7
Brazil	21.2	20.5	18.4	14.7	13.0	13.2	15.3	3.8	38.7
France	17.9	18.8	19.0	17.6	18.4	21.3	23.2	- 4.8	- 22.8
Poland	17.4	15.8	16.5	16.2	14.8	15.7	19.5	9.8	- 11.0
Czechoslovakia	15.3	15.0	14.8	15.0	15.0	15.3	14.9	1.8	2.5
United Kingdom	14.8	15.7	15.1	15.0	13.2	15.6	11.3	- 5.8	31.4
South Korea	14.6	13.5	13.0	11.9	11.8	10.8	8.6	7.5	70.1
Canada	14.1	14.6	14.7	12.8	11.9	14.8	15.9	- 3.8	- 11.4
Romania	13.8	13.8	14.4	12.6	13.1	13.0	13.2	- 0.1	4.4
Spain	12.0	14.2	13.5	13.0	13.2	12.9	12.6	- 15.9	- 5.3
India	11.9	11.5	10.5	10.2	11.0	10.8	9.5	2.9	24.8
Belgium	9.7	10.7	11.3	10.2	10.0	12.4	12.4	- 8.8	- 21.6
South Africa	9.1	8.5	7.7	7.2	8.3	9.0	9.1	7.5	0.8
North Korea	9.0	8.4	6.5	6.1	5.8	5.5	5.8	7.1	55.2
German Dem. Rep.	7.9	7.9	7.6	7.2	7.2	7.5	7.3	0	7.4
Mexico	7.1	7.3	7.5	6.9	7.1	7.6	7.2	- 1.7	- 0.3
Australia	6.7	6.6	6.3	5.7	6.4	7.6	7.6	1.0	- 12.1
Turkey	6.0	5.0	4.3	3.8	3.2	2.4	2.5	20.3	134.9
Netherlands	5.3	5.5	5.7	4.5	4.4	5.5	5.3	- 4.3	0.2
Yugoslavia	5.3	4.5	4.2	4.1	3.8	4.0	3.6	17.6	45.0
Taiwan	5.2	5.1	5.0	5.0	4.2	3.2	3.4	2.9	53.2
Sweden	4.7	4.8	4.7	4.2	3.9	3.8	4.2	- 2.1	11.2
Austria	4.3	4.7	4.9	4.4	4.3	4.7	4.6	- 6.9	- 6.1
Hungary	3.8	3.6	3.8	3.6	3.7	3.6	3.8	2.8	- 0.5

	1986	1985	1984	1983	1982	1981	1980	1986/1985 (%)	1986/1980 (%)
Luxembourg	3.7	3.9	4.0	3.3	3.5	3.8	4.6	- 6.0	- 19.7
Venezuela	3.5	3.1	2.8	2.3	2.3	2.0	2.0	13.1	75.0
Argentina	3.2	2.9	2.6	2.9	2.9	2.5	2.7	10.1	20.7
Bulgaria	2.9	2.9	2.9	2.8	2.6	2.5	2.6	0.7	13.0
Finland	2.6	2.5	2.6	2.4	2.4	2.4	2.5	2.7	3.1
Other countries	17.5	16.8	15.2	13.9	13.0	12.7	13.0	4.4	34.6
Total	714.2	719.1	710.2	663.7	645.4	707.8	716.4	- 0.7	- 0.3

2.1.21. The statistics just published by Eurostat on steel consumption by user category between 1970 and 1984 permit a detailed analysis by product and industry of the trends in real consumption of ECSC and non-ECSC products. With regard to ECSC products, there was an overall drop of 20% over the period 1974-1979-1984

(three years with a high level of activity), but the differences between industries are very great. Table 5 shows that of the nine categories analysed, arranged in descending order of performance between 1974 and 1984, only cans and metal boxes and the steel tube industry recorded an increase in consumption in absolute terms.

Table 5 — *Steel consumption by user category*

User sector	Consumption of ECSC products (million tonnes)	% change 1979/1974	% change 1984/1979
Cans and metal boxes	3.9	+ 2.2	+ 16.0
Steel tubes	17.1	+ 0.8	+ 5.4
Metal goods, boilers, drums and others vessels	11.4	- 8.0	- 8.5
First-stage processing, excluding tubes	19.1	- 7.4	- 13.7
Structural steel work, building and civil engineering	14.1	- 11.0	- 11.4
Mechanical and electrical engineering	7.9	- 11.4	- 17.8
Vehicles	8.2	- 6.0	- 22.8
'Other industries'	4.2	- 6.0	- 35.4
Shipbuilding	1.0	- 66.3	- 17.1
Total	86.9	- 9.0	- 11.7

2.1.22. World consumption declined by 2% in 1986, with falls of 7% in the United States and 3.9% in Japan, while the change in the Community ranged between 0 and 2%. Consumption will probably continue to fall in 1987, by about 1.5% globally, 3% in the United States and 1.4% in Japan, but is expected to stabilize in the Community.

This is due to the fact that the forecasts for economic growth, 2.5 to 3%, are too modest to halt the continuing decline in overall demand.

2.1.23. Fluctuations in the volume of trade will probably be small, whereas in 1986 imports showed an overall drop of 20% and exports fell by 13% compared with 1985.

As far as the situation of businesses is concerned, the capacity utilization rate, which had fallen to 68%, is unlikely to improve; employment will continue to decline, even though it was already lower in 1986 than in 1985 — particularly in the United States (by 15%) because further cuts are planned, above all in Japan.

Forward programme

2.1.24. On 23 February the Commission adopted the forward programme for steel for the first quarter of 1987 at its second reading.¹ The programme had been approved by the Commission at its first reading on 19 December 1986;² a number of drafting changes were then made after consultation of the ECSC Consultative Committee.³

Investment

2.1.25. According to the Commission's 1986 survey, expenditure on investment in the steel industry amounted to approximately 4 000 million ECU in 1985 compared with 3 000 million ECU in 1984, though production of steel and hot-rolled products practically stagnated. At the same time, further reductions were made in production capacity, bringing the total reduction in hot-rolled capacity between 1980 and 1986 to more than 31 million tonnes. There is still substantial surplus capacity, and additional efforts will be necessary to eliminate it. The process of returning to free market forces as envisaged by the Commission is certain to help bring about the adjustments in the Community that are still needed.

Trade with non-member countries

Imports

External aspects of the crisis measures

Arrangements with non-member countries

2.1.26. The Commission continued its negotiations with non-member countries

for which a voluntary restraint arrangement is planned.⁴ Following Czechoslovakia, Austria and Sweden also initialled their arrangements for 1987 with the Community.

Autonomous measures

2.1.27. On 16 February the Council adopted a Regulation opening, allocating and administering a Community tariff quota for ferrochromium containing not less than 6% by weight of carbon;⁵ as the quantity of ferrochromium produced in the Community is insufficient and producers are unable to satisfy all the requirements of the consumer industries, it is in the Community's interest to suspend completely the Common Customs Tariff duty on this metal for 1987.

2.1.28. On 5 February the Commission published a notice of termination of a Community investigation concerning the trend of imports of tube and pipe fittings of malleable cast iron originating in non-member countries, the terms under which they are imported and the effects of the imports on Community production.⁶ The fittings in question fall within CCT heading No ex 73.20, corresponding to Nimex code 73.20-30.

2.1.29. The Commission on 23 February adopted a Decision⁷ derogating once again from its recommendation concerning an increase in the protective duty on iron and steel products at the external frontiers of the Community.⁸ As some steel products are not produced in sufficient quantity or in the desired quality in the Community with the result that supply still does not match demand, the Member States decided

¹ OJ C 47, 24.2.1987.

² Bull. EC 12-1986, point 2.1.46.

³ Bull. EC 12-1986, point 2.4.42.

⁴ Bull. EC 12-1986, point 2.1.55; Bull. EC 1-1987, point 2.1.22.

⁵ OJ L 49, 18.2.1987.

⁶ OJ C 27, 5.2.1987.

⁷ OJ L 76, 18.3.1987.

⁸ OJ 8, 22.1.1964, OJ L 285, 7.10.1981.

to open a tariff quota for certain kinds of special wire rod for the manufacture of valve springs for the first six months of 1987.

Research and technology

Community R&D policy

Council

2.1.30. At a Council meeting in Brussels on 24 February, Research Ministers resumed their discussions on the Commission proposal for a framework programme of research and technological development (1987-91),¹ already discussed at their meetings of 21 October² and 9 December 1986³ without any decision having been taken. The basis for this fresh round was a compromise³ proposal tabled by the Presidency involving an appropriation of 5 765 million ECU for new decisions alone. After the discussions it was noted that, although some progress had been made towards an overall solution, certain aspects of the compromise package required more detailed examination.

The Council therefore agreed to adjourn until 24 March. It instructed the Permanent Representatives Committee to look at the points which needed to be examined more closely so that a decision could be taken when the meeting was resumed.

Stimulation of European scientific and technical cooperation and interchange

2.1.31. As part of the plan to stimulate European scientific and technical cooperation and interchange (1985-88)⁴ six eminent European scientists have been asked to prepare a general research project in the field of neurocomputing to be known as Brain.⁵ This project — to be submitted in May to the Committee for the European Development of Science and Technology

(which advises the Commission on the stimulation plan) — is likely to be allocated a budget of 2 million ECU. Brain will run parallel to Japan's ambitious 'Human frontier' programme.

Neurocomputing is the study of adaptive intelligence systems based on the neural model. These systems are built on the same principles as those governing the functioning of the human brain and are expected to be capable of similar performances, including the ability to 'learn' from experience. Industrial robots with adaptive intelligence will actually be able to 'see' what they are doing and react autonomously to new situations.

International cooperation

Framework agreements

2.1.32. On 9 February the Council adopted,⁶ on the basis of a Commission proposal,⁷ a Decision concerning the conclusion of the framework agreements for scientific and technical cooperation signed in 1986 with Switzerland and Sweden,⁸ Norway,⁹ Finland¹⁰ and Austria.¹¹ It also approved the procedure for extending these framework agreements to cover Euratom matters.

COST cooperation

2.1.33. On 19 February Denmark, Finland, France, the United Kingdom and

¹ OJ C 275, 31.10.1986; Bull. EC 7/8-1986, point 1.2.1 *et seq.*

² Bull. EC 10-1986, point 2.1.33.

³ Bull. EC 12-1986, point 2.1.65.

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

⁵ Basic research in adaptive intelligence and neurocomputing.

⁶ OJ L 71, 14.3.1987.

⁷ Bull. EC 10-1986, point 2.1.35.

⁸ OJ L 313, 22.11.1985; Bull. EC 11-1985, point 2.1.183; Bull. EC 1-1986, point 2.1.25.

⁹ OJ L 78, 24.3.1986; Bull. EC 3-1986, point 2.1.39; Bull. EC 6-1986, point 2.1.52.

¹⁰ OJ L 78, 24.3.1986; Bull. EC 3-1986, point 2.1.39; Bull. EC 4-1986, point 2.2.18.

¹¹ OJ L 216, 5.8.1986; Bull. EC 7/8-1986, point 2.1.37.

Sweden signed a memorandum of understanding on COST project 309 (Road and weather conditions), which entered into force immediately. The purpose of this project, which is to run for a period of three years, is to develop a system for monitoring and forecasting weather conditions to assist both road users and the organizations responsible for the management and maintenance of roads; five other countries are expected to join the project shortly.

On the same date the Federal Republic of Germany, Italy, the Netherlands, Finland, Sweden and the United Kingdom signed a memorandum of understanding on COST project 218 (Material science and reliability of optical fibres and cables), which likewise entered into force immediately. On 25 February Portugal became the ninth country to take part in COST project 73 (Weather radar networking).

Sectoral R&D activities

Energy

Nuclear fusion energy

2.1.34. On 26 February the Commission sent the Council a proposal for a Decision authorizing it to negotiate a cooperation agreement between the European Atomic Energy Community and Japan in the field of controlled thermonuclear fusion.¹ Such an agreement would be in line with a consistent policy of international cooperation on nuclear fusion that is already reflected in the relevant international cooperation agreement signed in January 1986 between the Community, the United States and Japan.² It is expected to be of the same type as the agreement recently concluded between Euratom and the United States.³

Industry

New technologies

Biotechnology

2.1.35. On 16 February Parliament adopted two resolutions on biotechnology

(→ point 2.4.11):⁴ one, concerning the need for an integrated policy on biotechnology, calls upon the Commission to review its programme of research in this field;⁵ the other relates to the effects of the use of biotechnology on the European farming industry.

Raw materials

2.1.36. Under the Euram (European research on advanced materials) subprogramme of the research programme on materials (raw materials and advanced materials) (1986-89),⁶ the Commission selected proposals from those on which the Management and Coordination Advisory Committee had delivered a favourable opinion. Negotiations are currently under way for the conclusion of shared-cost research contracts totalling around 25 million ECU.

In response to the call for proposals issued in June 1986⁷ the Commission had received 896 applications representing 308 research projects. The evaluation exercise carried out initially by independent experts and subsequently at two meetings of the Management and Coordination Advisory Committee, in January and February, resulted in the selection of 91 projects. A number of interesting projects had to be turned down owing to lack of funds.

Health and safety

2.1.37. On 25 February the Economic and Social Committee adopted an opinion (→ point 2.4.23) on the proposal for a Regulation setting up an R&D coordination programme in the field of medical and health research (1987-89).⁸

¹ COM(87) 60 final.

² Bull. EC 1-1986, point 2.1.31.

³ OJ L 46, 14.2.1987; Bull. EC 12-1986, point 2.1.71.

⁴ OJ C 76, 23.3.1987.

⁵ OJ L 83, 15.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

⁶ OJ L 159, 14.6.1986; Bull. EC 6-1986, point 2.1.65.

⁷ OJ S 116, 16.9.1986; Bull. EC 6-1986, point 2.1.65.

⁸ OJ C 50, 26.2.1987; Bull. EC 10-1986, point 2.1.49.

Telecommunications, information technology and innovation

Telecommunications policy

Public pan-European digital mobile communications

2.1.38. At its meeting in London on 5-6 December 1986¹ the European Council asked the Commission and the Council to make a special effort to secure agreements necessary to enable Europe to compete in the development and marketing of digital cellular radio in the 1990s.

The Group for Analysis and Forecasting accordingly investigated the current problems and future potential of pan-European mobile communications in the Community and published its conclusions and recommendations in a report to the Senior Officials Group on Telecommunications.

On the basis of this report, the Commission sent the Council on 9 February a proposal for a recommendation on the coordinated introduction of public pan-European digital mobile communications in the Community, a proposal for a Directive on the frequency bands to be made available for the coordinated introduction of public pan-European digital mobile communications in the Community and additional preparatory activities for the rapid development of pan-European systems for special user requirements.²

The proposed recommendation aims to accelerate the development of public pan-European digital communications in the Community, specifying that they should be introduced by 1991. By 1993 and 1995 respectively, the major urban areas and the links between these areas should be covered. In addition a schedule is proposed for the CEPT to define the main technical and service elements of the system by the end of this year.

The objective of the proposal for a Directive is to ensure that frequency bands are exclus-

ively available for pan-European mobile communications. It specifies that the frequency bands 905-914 MHz and 950-959 MHz should be made available exclusively for the public pan-European digital mobile communications service by 1 January 1991. By the year 2001 the whole 890-915 and 935-960 MHz bands should be available for this service.

Finally, the Commission also propose five preparatory projects for the development of pan-European systems for special user requirements:

- (i) mobile radio for vehicles on major European routes,
- (ii) public radio telephone in trains,
- (iii) public radio telephone in aircraft,
- (iv) public paging,
- (v) road information for motorists.

Combined use of information and telecommunications technologies in general areas

2.1.39. On 3 February the Commission sent the Council its fourth report on Community activities in the field of microelectronic technology.³

2.1.40. On 11 February the Commission sent the Council an annual report⁴ on the setting-up of the Caddia computerized telecommunications systems⁵ and the implementation of the long-term development programme covering the period 26 March 1985 to 30 June 1986.

On 18 February it also proposed⁶ that the Council extend the period of validity of its Decisions of 26 March 1985⁵ and 4 February 1986⁷ on cooperation in the automation of data and documentation for

¹ Bull. EC 12-1986, point 1.1.7.

² OJ C 69, 17.3.1987; COM(87) 35 final.

³ COM(87) 22 final.

⁴ COM(87) 42 final.

⁵ OJ L 96, 3.4.1985; Bull. EC 3-1985, point 2.1.23.

⁶ COM(87) 59 final.

⁷ OJ L 33, 8.2.1986; Bull. EC 2-1986, point 2.1.45.

imports/exports and agriculture (Caddia) and on the coordinated development of computerized administrative procedures (the CD project).

It was proposed that the two decisions be extended to the end of 1992 so that work on the initial programme can be continued.

2.1.41. On 26 February the Economic and Social Committee adopted an opinion on the proposal for a Council Regulation introducing the preparatory phase of a Community programme on trade electronic data interchange systems (→ point 2.4.24).¹

Innovation

2.1.42. The Commission's activities in the field of design and innovation were reviewed at the meeting of the expert group on the subject held in Luxembourg on 3 February.

Progress to date and future projects were discussed. Under the chairmanship of the Commission, the group agreed to go ahead with the proposal for a European Design Prize in 1987. A steering committee was set up to discuss the practical aspects linked to the organization of the prize.

Among other ongoing projects discussed, the group was informed about the progress of the publishing activities of the project. Three books are in the final stages of publication. It was thought convenient to extend some of the programmes (such as the staff exchange programme) to encompass other countries and to disseminate information on the project at specialized conferences on design (Toulouse and Birmingham).

The group also suggested activities for the current year. They would focus on five areas: continuation of the campaign to promote an increased awareness of design in small and medium-sized businesses, exploration of the possibilities of training and education at European level, support for regions where design infrastructure is lacking or weak, the study of the problem of protecting design in the European legal

framework and promotion of the European identity in the area of design.

Information services

2.1.43. In its initiative to promote the development of the Community information market, the Commission held two meetings on 28 January and 10 February with information services providers' and users' groups respectively. On the basis of a Commission working document a number of key issues affecting providers and users were identified, including problems related to use of several languages, legal aspects of transborder data flow, telecommunication services and standards. Certain problems particular to each group were also noted for priority treatment (small business needs, public/private sector cooperation in providing information services, user support measures, etc.). Both groups were in favour of demonstration projects and pilot projects targeted at user needs in specific sectoral and professional fields, to act as catalysts for opening up the internal market for information services.

Customs union and indirect taxation

Customs union

Simplification of customs formalities

Community transit

2.1.44. On 9 February the Council adopted a Decision authorizing the Commission to open negotiations with Austria, Finland, Iceland, Norway, Sweden and Switzerland with a view to concluding an agreement on the application of the rules on Community transit to trade between the

¹ Bull. EC 12-1986, point 2.1.75.

Community and these countries and between the countries themselves.¹

General legislation

Reliefs from customs duty

2.1.45. On 25 February the Economic and Social Committee gave its opinion (→ point 2.4.25) on a proposal for a Regulation² amending the Regulation of 28 June 1968 on the Common Customs Tariff³ and that of 28 March 1983 setting up a Community system of reliefs from customs duty.⁴

Common Customs Tariff

2.1.46. Under the agreement on the consequences of enlargement concluded with the United States in January,⁵ the Community has undertaken, as part of the compensation offered to the United States, to effect an autonomous reduction in current customs duties on a number of industrial and agricultural products as they apply in the former Community of Ten. The reductions will remain in force for the four-year period 1987-90.

As the Common Customs Tariff applicable in the Community in 1987 was adopted on 24 November 1986,⁶ some autonomous CCT duties need to be modified so that the reductions provided for in the agreement with the United States can enter into effect from 15 March 1987. On 26 February the Commission therefore sent the Council a proposal⁷ amending the Regulation of 24 November 1986.⁶

Nomenclature

2.1.47. On 9 February the Commission sent the Council an amended proposal⁸ for a Decision concerning the conclusion of the International Convention on the Harmonized Commodity Description and Coding System.⁹

This proposal takes into account the adoption by the Customs Cooperation Council

on 4 June 1986 of a protocol of amendment to the International Convention, reducing the time set for the Convention to enter into force from twelve to three months after a minimum of 17 States or customs or economic unions have signed it without reservation. The Community will therefore be able to approve the Convention and its Protocol at the same time with a view to the harmonized system entering into force on 1 January 1988.

At the same time the Commission withdrew the draft Decision by the Representatives of the Governments of the ECSC Member States meeting within the Council concerning acceptance of the International Convention,¹⁰ as it had become unnecessary following the adoption of the Decision of 3 March 1986¹¹ making the Community provisions to ensure uniform application of the CCT nomenclature automatically applicable to products covered by the ECSC Treaty.

2.1.48. For the purpose of ensuring uniform application of the CCT nomenclature, the Committee on CCT Nomenclature gave its opinion on agreements on the classification of goods concerning subheadings 03.03 A II b) 2 aa),¹² 16.04 G II¹² and 19.08 B.¹²

Economic tariff matters

Tariff quotas¹³

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

¹ Bull. EC 1-1987, point 2.1.35.

² OJ C 254, 11.10.1986; Bull. EC 9-1986, point 2.1.45.

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

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

⁵ Bull. EC 1-1987, point 1.2.1 *et seq.*

⁶ OJ L 345, 8.12.1986; Bull. EC 11-1986, point 2.1.68.

⁷ COM(87) 81 final.

⁸ COM(87) 40 final.

⁹ Bull. EC 6-1985, point 2.1.44.

¹⁰ OJ C 120, 4.5.1984; Bull. EC 4-1984, point 2.1.31.

¹¹ OJ L 81, 26.3.1986; Bull. EC 3-1986, point 2.1.59.

¹² OJ C 25, 3.2.1987.

¹³ For iron and steel products, see point 2.1.27.

- (i) certain fishery products (1987);¹
- (ii) certain fishery products, salted, falling within CCT subheadings ex 03.02 A I b) and ex 03.02 A II a) (1987).¹

Origin of goods

2.1.50. On 16 February the Council adopted,² on a proposal from the Commission,³ a Regulation derogating from the definition of the concept of 'originating products' to take account of the special situation of Saint Pierre and Miquelon with regard to certain fishery products.

2.1.51. On 18 February the Commission sent the Council a proposal for a Regulation regarding the application of the ACP-EEC Customs Cooperation Committee's decision derogating from the definition of the concept of 'originating products' to take into account the special situation of Fiji with regard to its production of canned tuna fish.⁴

This proposal takes into account the special situation of the Fijian canning industry, which is at present partially dependent on chartered third country vessels for its supplies of raw fish.

By virtue of the derogation, preferential originating status will be granted for a limited period to a certain proportion of exports to the Community of fish processed exclusively in Fiji, even though it was not caught by Fijian-owned vessels where at least half of the crew are Fijian nationals or in the territorial waters of Fiji (the 12 miles limit), as normally required by the origin rules.

Competition

General rules applying to businesses

Procedure

Hoechst

2.1.52. The Commission adopted a decision imposing contempt fines of 1 000

ECU a day on the German company Hoechst to compel it to submit to an investigation into its suspected involvement in price fixing and market sharing for the bulk plastics PVC and polyethylene.

The investigation was ordered by the Commission in a formal decision taken on 15 January, but when presented with the decision by Commission inspectors on 20 January Hoechst refused to comply.

Under Community law the Commission has the power to undertake on-the-spot investigations into companies and associations of companies and, in so doing, to:

- (i) examine their books and other business records,
- (ii) take copies of or extracts from books and business records,
- (iii) ask for oral explanations on the spot, and
- (iv) enter any premises, land or means of transport of the company.

When investigations are ordered by a formal Commission decision, companies are obliged to submit to them, but they have a right to a judicial review of the decision by the Court of Justice, which has exclusive jurisdiction to annul or suspend the decision.

Hoechst has now applied for judicial review, but pending the Court's ruling the decision is valid and enforceable against the company.

Where a company refuses to submit to an investigation ordered by Commission decision, the Commission may ask the competent authority of the Member State concerned for its assistance in enforcing compliance.

The Commission immediately called upon the relevant German agency, the Federal Cartel Office, for assistance, but the Office failed to provide the assistance necessary to

¹ OJ L 42, 12.2.1987.

² OJ L 51, 20.2.1987.

³ Bull. EC 11-1986, point 2.1.74.

⁴ COM(86) 582 final.

overcome Hoechst's refusal and enable the Commission inspectors to carry out the investigation.

The Commission has commenced infringement proceedings against the Federal Republic of Germany for the failure of its authorities to provide the necessary assistance.

State aid

General schemes

France

2.1.53. On 25 February the Commission decided not to raise any objection to a scheme introduced under legislation of 16 July 1986 for reducing youth unemployment by means of partial or total relief of employers' social security contributions.

Temporary partial relief of 25% or 50% (depending on whether the young person has previously completed an apprenticeship or a course of work experience and training) is available for employers taking on unemployed 16 to 25 year-olds in regular jobs.

Apprenticeships and work experience/training courses provided for such young people attract 100% relief for the duration of the training, except in certain cases.

In its decision to approve the scheme the Commission took account of the disturbing high — and rising — proportion of young people among the unemployed and of the emphasis the scheme places on the need for young people to acquire skills and qualifications in order to improve their chances of obtaining a secure job.

Italy

2.1.54. On 11 February the Commission decided not to raise any objection to a scheme to encourage small industry in the Veneto Region under regional legislation of 18 April 1986. The aid is provided in the

form of grants, and some 14.7 million ECU was earmarked for the scheme in 1986.

Germany

2.1.55. On 25 February the Commission decided not to raise any objection to an aid scheme for R&D in the field of metallurgical materials in North Rhine Westphalia. The scheme was examined both under Article 92 of the EEC Treaty and under the Commission Decision of 27 November 1985 establishing Community rules for aid to the steel industry,¹ which would be the main beneficiary. Although the Commission found that the scheme satisfied the general criteria for R&D aid, it has asked for notification of all awards in respect of R&D projects costing over DM 8 million, in view of the current restrictions on aid to the industry. The German Government is also required to supply annual reports on all aid awarded under the scheme to industrial firms.

Portugal

2.1.56. On 25 February the Commission decided not to raise any objection to the introduction of general tax reliefs for industrial investment, covering a percentage of investment undertaken in a given year and the whole of retained profits reinvested in the business.

The Commission took the view that as the tax changes were general they did not fall within Article 92.

Regional schemes

Germany

2.1.57. On 25 February the Commission decided not to raise any objection to amendments to the Berlin Assistance Act. The changes involve increases in the rates of investment grant for buildings from 15 to 20% and for buildings for use mainly for

¹ OJ L 340, 18.12.1985; Bull. 11-1985, point 2.1.25.

research purposes from 20 to 25%. Both changes apply from 1 January 1985.

Industry schemes

Shipbuilding

United Kingdom

2.1.58. On 25 February the Commission decided not to raise any objection to the grant of UKL 226.8 million of aid to British Shipbuilders to cover financial losses incurred by it over the period April 1985 to December 1986 on investment, closures and normal merchant shipbuilding operations. The decision was taken under the fifth Council Directive on aid to shipbuilding of 28 April 1981.¹ The UK authorities were reminded, however, that any aid for the first quarter of 1987, which comes under the 1986/87 financial year, would have to be notified to the Commission under the terms of the sixth Directive adopted on 26 January 1987.²

Denmark

2.1.59. On 25 February the Commission initiated the Article 93(2) procedure in respect of an aid scheme for shipowners. Although the scheme was intended to operate until the end of 1988, the Danish Government had asked the Commission for clearance initially only in respect of the period 1 October to 31 December 1986, which was still covered by the fifth Council Directive on aid to shipbuilding. For the period beginning 1 January 1987 the scheme would be notified under the sixth Directive.² The Commission decided to open the procedure because the credit facilities offered to foreign shipowners under the scheme were incompatible with the current OECD Understanding on Export Credits for Ships and would also not be authorizable under the provisions of either the fifth or sixth Directives.

Electronics

Germany

2.1.60. On 25 February the Commission decided not to raise any objection to a pro-

posal notified by the German Government to grant DM 95 million of aid to the Hamburg electronics firm Valvo-RHW for a DM 500 million investment in a new factory for producing memory chips with over 1 megabit capacity. The Commission considered that from the information supplied about the project the award qualified for exemption under Article 92(3)(c).

Steel

Belgium

2.1.61. On 4 February the Commission decided that aid to the pipe and tube manufacturer Tubemeuse had been granted unlawfully as it had not been notified beforehand and was also incompatible with the common market under Article 92. The Commission had initiated the Article 93(2) procedure in respect of the aid in July 1985 and June 1986.³ It ordered that the aid, provided in the form of injections of capital totalling BFR 9 085 million, should be withdrawn.

In reaching its decision the Commission took account of the fact that the pipe and tube industry was suffering from substantial overcapacity due to the slowing of oil exploration activity and that manufacturers were sharply cutting back capacity or planning to do so.

The regular injections of massive amounts of aid to keep Tubemeuse afloat had clearly damaged the interests of other firms, aggravating their difficulties while Tubemeuse was not taking any steps to restructure its business to give it a viable future.

The Commission therefore held that the aid had affected trading conditions to an extent contrary to the common interest.

¹ OJ L 137, 23.5.1987; OJ L 371, 30.10.1982; OJ L 2, 4.1.1985.

² Bull. EC 1-1987, point 2.1.10a; Bull. EC 12-1986, point 2.1.122.

³ OJ C 178, 16.7.1985; OJ C 293, 19.11.1986; Bull. EC 7/8-1986, point 2.1.71.

Financial institutions and company law

Financial institutions

Banks and other financial institutions

2.1.62. On 19 February Parliament delivered an opinion¹ on the Commission proposal for a Directive on the freedom of establishment and freedom to supply services in the field of mortgage credit.² It made a number of amendments to the original text and called on the Commission to incorporate them in its proposal. It also asked the Commission to publish an information document explaining the Directive and to bring forward a further proposal relating to mortgage bonds.

Employment, education and social policy

Employment

Employment and the labour market

Cooperation with national employment services

2.1.63. In February, in connection with activities to promote cooperation between national employment services, the Commission and the Member States agreed to an exchange programme for employment officials in 1987. The programme mainly concerns the study of topics of common interest to all the Member States, training of staff responsible for implementing the Sedoc³ system in Spain and Portugal, and technical cooperation between several Member States. The entire programme calls for a commitment appropriation of 446 000 ECU.

Financial instruments

European Social Fund

2.1.64. On 27 February the Commission amended⁴ its Decision of 30 April 1986 on the guidelines for the management of the European Social Fund in 1987-89.⁵ The amendments relate to the list of areas of high and long-term unemployment and/or industrial and sectoral restructuring attached to the guidelines.

Education and vocational training

Cooperation in education

2.1.65. The Commission was represented at the meeting of the Council for Cultural Cooperation of the Council of Europe which took place in Strasbourg from 10 to 13 February. The Commission likes to be represented at these meetings to facilitate a clear exchange of views with the Council of Europe in areas of common interest, such as the European dimension of education, education of migrant workers' children and the promotion of culture.

2.1.66. The 13th meeting of the Committee that organizes the Community Schools Day competition was held in Brussels on 26 and 27 February. The main points discussed concerned the 1986 report on the results of Community Schools Day in the countries concerned, topics for the 35th competition in 1988 and the programme for the winners' meeting in 1987. The main topic was European Cinema and Television Year and its significance for Europe. Alternative subjects will focus on politics, culture and history. Every year, about 600 winners from the countries participating in the competition

¹ OJ C 76, 23.3.1987.

² OJ C 42, 14.2.1985; Bull. EC 12-1984, point 2.1.75.

³ European System for the International Clearing of Vacancies and Applications for Employment.

⁴ OJ L 68, 12.3.1987.

⁵ OJ L 153, 7.6.1986; Bull. EC 4-1986, point 2.1.64.

have the opportunity to attend 12 to 14 multinational meetings.

2.1.67. In connection with the implementation of the Comett programme adopted by the Council in July 1986,¹ the first meeting of Comett national information centres took place in Brussels on 9 February. The centres' task is to support the implementation of the programme following the Commission's call for applications in December 1986,² especially by assisting potential promoters in completing projects they propose to submit to the Commission.

Transition from school to working life

2.1.68. The fourth meeting of the *ad hoc* group on youth initiatives met in Brussels on 9 and 10 February. Last year, out of the 360 projects submitted, the Commission selected 80 for financing on the basis of the group's recommendations. The projects, located in all the Member States, concern training, setting up cooperatives, information and guidance for young people, and in some cases cultural activities.

With the cooperation of the *ad hoc* group, in 1987, the Commission departments concerned propose to concentrate on setting up a network of projects, thus reinforcing the European dimension of the operation. The first stage will be to publish a journal with the assistance of the European Youth Forum.

Vocational training and new technologies

2.1.69. On 20 February a meeting was held in Brussels of the national EuroTecNet³ coordinators which established the main outlines for a working programme to adapt vocational training to new technologies in 1987/88. The emphasis will be placed specially on the dissemination of specific experiments of the EuroTecNet network and inclusion of innovative projects in Spain and Portugal, apart from increasing the effort to promote demonstration projects in firms.

Youth exchanges

2.1.70. On 26 February the Commission amended⁴ its proposal for a Council Decision setting up a 'Yes for Europe' action programme to promote youth exchanges in the Community.⁵

The purpose of the proposed amendments is to take account of opinions delivered by Parliament⁶ and the Economic and Social Committee⁷ and of discussions on the initial proposal.

Living and working conditions and social protection

Paul Finet Foundation

2.1.71. At a meeting on 23 January the Executive Committee of the Paul Finet Foundation examined 377 applications, and granted 329 scholarships totalling BFR 6 744 236.

Health and safety

Public health

2.1.72. On 12 February the Commission adopted a communication, for transmittal to the Council, on the fight against AIDS, proposing Community action in this area and reinforcing the effectiveness of the measures taken at national level (→ point 1.4.1 *et seq.*).

2.1.73. Following the Council's decision on 26 January concerning Community participation in the preparatory work for the International Conference on Drug Abuse

¹ OJ L 222, 8.8.1986; Bull. EC 6-1986, point 2.1.106.

² OJ C 336, 31.12.1986.

³ Commission work programme for 1985-88 on vocational training and the new information technologies: Bull. EC 4-1985, point 2.1.57.

⁴ OJ C 77, 24.3.1987; COM(87) 76 final.

⁵ OJ C 72, 27.3.1986; Bull. EC 2-1986, point 2.1.73.

⁶ OJ C 322, 15.12.1986; Bull. EC 11-1986, point 2.1.108.

⁷ Bull. EC 9-1986, point 2.4.34.

and Illicit Trafficking and at the Conference itself,¹ the Commission set out for the first time the Community position on this subject at the 32nd session of the UN Commission on Narcotic Drugs (Vienna, 2-11 February) and at the second session of the Conference preparatory body (Vienna, 12-18 February).

Through its association with these bodies, the Commission has demonstrated that it intends to play its part in the international struggle against drug abuse by participating in its own right at the Vienna Ministerial Conference (17-26 June) and by embarking on a programme of cooperation with the producer and consumer countries of the Third World. This programme of action, which can be finalized over the coming months by the implementation of decisions in the field of customs cooperation and health, will contain a political component (starting talks with the member countries) and an operational component (implementing development projects and programmes connected with the drugs problem, specific measures to combat drug addiction in these countries).

2.1.74. At its February session the Economic and Social Committee decided to send the Council and the Commission an information report on public health (→ point 2.4.22). It also adopted an opinion on the 'Europe against cancer' programme² (→ point 2.4.26).

Health and safety at work

2.1.75. The *ad hoc* working party on carcinogenic products set up by the Advisory Committee on Safety, Hygiene and Health Protection at Work met on 18 February and finalized a document setting out the principles to be included in a proposal for a Community directive on this subject.

2.1.76. At a meeting held on 23 February the intermediate group took note of the activities of the working parties and, in particular, studied the implications of the implementation of the Single European Act³ for the work of the Committee.

Health and safety (ECSC)

2.1.77. In accordance with the resolutions adopted by Parliament on 14 March 1985⁴ following the mining disaster at the Simon pit in France the previous month, the Mines Safety and Health Commission decided to resume work aimed at reducing the risks of explosion and fire in auxiliary-ventilated mines. This work is shared among several groups of experts, and on 17 February the group of experts on the installation and operation of auxiliary ventilation systems held its third meeting. The findings will be presented to the Mines Safety and Health Commission at the end of the year.

The meeting of the Committee of Government Experts held on 5 February marked the last of the meetings of advisory committees responsible for advising the Commission on the progress of the Fourth ECSC Medical Research Programme.⁵ With the approval of the seven final research projects, the appropriation of 9 million ECU allocated to the Committee has now been used up.

Health and safety (Euratom)

2.1.78. On 10 and 11 February the Commission held a meeting, attended by representatives of the competent authorities in the Member States and by members of the group of experts appointed under Article 37 of the Euratom Treaty, on methods employed in the Member States for determining the limits governing the discharge of radioactive waste from nuclear power stations.

2.1.79. On 25 February the Economic and Social Committee delivered an opinion (→ point 2.4.30) on a draft proposal for a Council Decision on a Community system of rapid exchange of information in cases

¹ Bull. EC 1-1987, point 2.1.65.

² OJ C 50, 26.2.1987; Bull. EC 12-1986, point 1.4.1 *et seq.*

³ Supplement 2/86 — Bull. EC.

⁴ OJ C 94, 15.4.1985, Bull. EC 3-1985, point 2.1.89.

⁵ OJ C 307, 27.11.1981.

of unusually high levels of radioactivity or in the event of a nuclear accident.¹

Regional policy

Financial instruments

Aid for disaster victims

2.1.80. On 18 February the Commission decided to grant 250 000 ECU in emergency aid to victims of Cyclone Clotilda, which swept across the island of Réunion on 13 February.

Coordination of structural instruments

Integrated Mediterranean programmes

Approval by the Commission of draft IMPs

2.1.81. On 4 February the Commission approved the first three draft IMPs for France. They concern the three regions making up the Greater South-West: Aquitaine, Languedoc-Roussillon and Midi-Pyrénées. They had been submitted on 17 March 1986,² together with four other draft programmes. Their approval marks the decisive stage in the examination of the IMPs, during which the Commission assesses the quality of the programmes submitted by Member States, their structure by subprogramme, the procedures for mobilizing the various sources of finance, and the total sums involved.

Although IMPs must run for seven years, the three draft IMPs in question cover the initial period 1986-88, coinciding with the multiannual planning arrangements in France (Ninth Plan).

During that period, the three regions are to receive financial assistance totalling 224 million ECU, to which must be added some

135 million ECU in loans from the European Investment Bank.

In accordance with Article 7 of the Regulation concerning the IMPs,³ the three draft programmes were submitted to the Advisory Committee on IMPs for its opinion. Only when the Committee has delivered its opinion will the Commission be able to give its definitive approval.

Reform of the structural Funds

2.1.82. In its communication 'The Single Act: a new frontier for Europe', adopted on 15 February, the Commission sets out the main lines of the reform of the structural Funds (→ points 1.1.8 to 1.1.11).

Environment and consumers

Environment

Environment and employment

2.1.83. On 11 February the Commission put to the Council a proposal to grant 33 million ECU towards a five-year programme of demonstration projects to illustrate the job creation potential of environmental measures.⁴ This programme will complement other Community activities, particularly those financed by the structural Funds. In essence, the aim is to demonstrate how high environmental standards can create increasing numbers of jobs and multiply the impact of the structural Funds, as a contribution to the campaign to make the environmental dimension an integral part of other Community policies.

Various types of organization could carry out the projects funded, which will have

¹ OJ C 237, 19.9.1986; Bull. EC 7/8-1986, points 2.1.220 and 2.1.231.

² Bull. EC 3-1986, point 2.1.96.

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

⁴ COM(86) 721 final.

to reflect the priorities set in the Fourth Environment Action Programme now under consideration by the Council.¹ Particular emphasis will be placed on:

- (i) small scale infrastructure projects such as waste treatment units shared by a number of firms, wherever it would be inefficient or uneconomic for each to run its own unit;
- (ii) projects to bring back into use vacant or under-used land in areas of industrial dereliction;
- (iii) economic activities in rural areas which are consistent with protection and improvement of the environment and in particular with soil protection;
- (iv) improvements in coastal areas and in the urban environment, whether built-up or natural.

After a year of preparatory activity in 1987, the five-year programme is to begin in 1988. In the final year of the first phase, covering the three years from 1988 to 1990, the Commission will submit a progress report on the work done. Then the results of these projects will be disseminated during the second phase, which will last the remaining two years. The Council will decide by qualified majority on the criteria applied and the budget allocated to this second phase, on the basis of a Commission proposal.

Prevention and reduction of pollution and nuisances

Protection of the aquatic environment

Protection of the Rhine

2.1.84. On 12 February the Commission asked the Council for authorization to negotiate, on behalf of the Community, the draft recommendation to the contracting parties concerning a supplement in respect of chloroform discharges to Annex IV to the Convention for the Protection of the Rhine against Chemical Pollution,² to pave the way for adoption of the supplement

by the International Commission for the Protection of the Rhine against Pollution.

2.1.85. In a further move to implement the same Convention,² at a meeting in Basle on 18 and 19 February the heads of delegation to the International Commission for the Protection of the Rhine against Pollution set up an *ad hoc* working party on the action programme on the Rhine to take measures to attain the long-term objectives set in Rotterdam on 19 December 1986.³ At the same time they set up a subgroup on ecology and agreed to revitalize the work on the draft convention on thermal pollution.

2.1.86. In the same context, on 10 and 11 February the Commission was represented in Koblenz at a further meeting on water supply, hygiene and sewage treatment during which the participants decided to submit to the plenary assembly proposals for measures covering chloronitrobenzene, chloronitroaniline, endosulphane, aldrin, dieldrin and endrin.

2.1.87. On 26 February the Economic and Social Committee adopted an opinion (→ point 2.4.27) on the proposal for a Decision concerning a supplement, in respect of mercury originating in sectors other than the chloralkali electrolysis industry, to Annex IV to the Convention for the Protection of the Rhine against Chemical Pollution⁴ and on the accompanying communication concerning the recommendation on the monitoring of mercury discharges.

Pollution at sea by oil and other harmful substances

2.1.88. On 25 March 1985 the Commission extended the remit of the Advisory Committee on the Control and Reduction

¹ Bull. EC 9-1986, point 1.1.1 *et seq.*

² OJ L 240, 19.9.1977.

³ Bull. EC 12-1986, point 2.1.185.

⁴ Bull. EC 12-1986, point 2.1.184.

of Pollution Caused by Oil Discharged at Sea to include other harmful substances.¹

However, enlargement of the Community combined with budget restraints has necessitated a reduction in the number of members on the Committee, from three to two per Member State.

On 13 February the Commission accordingly decided² to amend its Decision of 25 June 1980 setting up the Committee.³

Air pollution

Long-range transboundary air pollution

2.1.89. On 11 February the Commission adopted, for transmittal to the Council, a proposal for a Decision⁴ to accede to the Helsinki Protocol⁵ to the 1979 Geneva Convention on Long-Range Transboundary Air Pollution, to which the Community and the Member States are already contracting parties.⁶ This Protocol sets a target of reducing total sulphur emissions by 30% below 1980 levels by 1993 and has already been signed by seven Member States⁷ and ratified by three.⁸ Accession to the Protocol would commit the Community as a whole to meet the 30% target but leave it to the Community to decide how this should be shared between the Member States.

Noise abatement

Construction plant

2.1.90. On 20 February Parliament adopted an opinion⁹ approving, unchanged, the proposal¹⁰ to amend the Council Directive of 17 September 1984 relating to the permissible sound power level of tower cranes.¹¹

Controls on chemical substances, industrial hazards and biotechnology

Major-accident hazards

2.1.91. On 16 and 17 February the Commission convened a further meeting¹² of the

Committee of national authorities responsible for implementing the Directive of 24 June 1982 on the major-accident hazards of certain industrial activities.¹³ In the light of the experience gained from the recent accident at the Sandoz plant in Basle,¹⁴ the authorities considered ways of strengthening the laws on isolated storage of dangerous substances. A variety of alternative approaches were considered in a fruitful exchange of views between the Member States and the Commission, which will take these talks as a basis for making a specific proposal in the months ahead.

2.1.92. On 19 February Parliament adopted an opinion⁹ on the proposal to amend¹⁵ the Directive of 24 June 1982.¹³

The proposal, presented by the Commission under Article 19 of the Directive, seeks to correct certain technical errors and inaccuracies and make up certain deficiencies in the light of experience since the Directive became effective on 8 January 1984. A thoroughgoing revision of the annexes based on systematic criteria is to be proposed at a later date, once more experience with implementing the Directive is to hand.

Bearing in mind the latest accidents, of varying degrees and seriousness, along the Rhine,¹⁴ Parliament felt that the rules laid down in the Directive should be strengthened to protect human beings and the environment and improve safety at work.

Parliament also called on the Commission to submit within six months a proposal

¹ OJ L 89, 29.3.1985; Bull. EC 3-1985, point 2.1.68.

² OJ L 57, 27.2.1987.

³ OJ L 188, 22.7.1980; Bull. EC 6-1980, point 2.1.75.

⁴ COM(87) 67.

⁵ Bull. EC 7/8-1985, point 2.1.122.

⁶ OJ L 171, 27.6.1981.

⁷ Belgium, Denmark, France, Germany, Italy, Luxembourg, Netherlands.

⁸ Denmark, France, Netherlands.

⁹ OJ C 76, 23.3.1987.

¹⁰ OJ C 267, 23.10.1986; Bull. EC 9-1986, point 2.1.95.

¹¹ OJ L 300, 19.11.1984; Bull. EC 9-1984, point 2.1.70.

¹² Bull. EC 12-1986, point 2.1.199.

¹³ OJ L 230, 5.8.1982; Bull. EC 6-1982, point 2.1.92.

¹⁴ Bull. EC 11-1986, points 2.1.146 and 2.1.147.

¹⁵ OJ C 305, 26.11.1985; Bull. EC 10-1985, point 2.1.88.

to add to the Directive provision to avoid further risks arising from synergic reactions between different products during production or storage.

The Commission undertook to make a proposal along these lines by the time requested.

Chlorofluorocarbons

2.1.93. As part of its work under the Convention for the Protection of the Ozone Layer,¹ the Commission took part in the second meeting, held in Vienna on 23 and 24 February, of the working party set up by the United Nations Environment Programme to draft a protocol on the control of chlorofluorocarbons.²

Although no agreement was reached, the delegates gained a clearer understanding of the situation in each other's countries.

Protection and use of resources

Flora and fauna

Vertebrates

2.1.94. On 10 February the Commission signed the European Convention for the Protection of Vertebrate Animals used for Experimental and Other Scientific Purposes³ on behalf of the Community at Council of Europe headquarters in Strasbourg. The Convention aims at reducing the number of experiments and the number of animals involved and at encouraging the contracting parties to resort to the practice only when no other method is open to them.

Natural resources

Forests

2.1.95. On 20 February the Commission adopted two Regulations implementing the Council Regulations of 19 November 1986

to protect forests, one against fires, the other against air pollution (→ point 2.1.147).

Consumers

Physical protection and product safety

Cosmetics

2.1.96. This month the Community stepped up its already considerable level of activity in protecting consumer interests as regards cosmetics.

On 2 February the Commission adopted a Directive⁴ bringing into line with technical progress the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products,⁵ inserting new provisions in Annexes II to VI regarding certain colouring, preserving and denaturing agents. One of the changes made was to prohibit the use of captan, hexachlorophene and minoxidil. It was the ninth time the Directive had been updated in this way.

2.1.97. On 10 February the Commission also brought into line with technical progress⁶ its Directive of 22 December 1980 relating to methods of analysis necessary for checking the composition of cosmetic products,⁷ changing the methods for determining the amounts of zinc used.

2.1.98. Lastly, on 19 February the Commission adopted a proposal⁸ for transmittal to the Council to update the 1976 Direc-

¹ Bull. EC 3-1985, point 2.1.73.

² Bull. EC 11-1986, point 2.1.59.

³ Bull. EC 12-1985, point 2.1.146; Bull. EC 11-1986, point 2.1.163.

⁴ OJ L 56, 26.2.1987.

⁵ OJ L 262, 27.9.1976; OJ L 149, 3.6.1986.

⁶ OJ L 57, 27.2.1987.

⁷ OJ L 383, 31.12.1980; Bull. EC 12-1980, point 2.1.79.

⁸ COM(87) 74 final.

tive,¹ changing some of its provisions in the light of experience.

Textiles

2.1.99. On 6 February the Commission adopted a range of measures to supplement existing rules and regulations governing textile products, whose purpose is to remove technical barriers to trade and inform consumers. These measures take the form of two Directives and two recommendations.

2.1.100. One of the Directives² amends certain items in Annex II to the Council Directive of 26 July 1971 on textile names,³ which provides for mandatory labelling of fibre content, the object being to obviate discrepancies during product conformity checks. It also brings the provisions of the 1971 Directive in line with technical progress and actual market conditions.

Again under the 1971 Directive, the Commission made a recommendation on methods of analysis designed to enable laboratories to carry out checks on the conformity of certain fibres with their description which are as uniform and precise as possible.⁴

2.1.101. The other Directive⁴ makes a number of changes and additions to the uniform methods of analysis laid down by the Council Directive of 17 July 1972,⁵ relating to most binary textile fibre mixtures on the market today.

The Commission's second recommendation concerns methods for the removal of non-fibrous matter added to textile products, which laboratories may use to check the accuracy of information supplied to consumers.⁶

Consumer information, education and representation

Consumers' Consultative Committee

2.1.102. Following the renewal of its membership by the Commission, the Con-

sumers Consultative Committee met in plenary session on 18 and 19 February. It elected a new chairman — Mr. G. Salvarani, from the European Trade Union Confederation — and a new steering committee. It also adopted an opinion on computerization and the use of bar codes in the retail trade.

Agriculture

Further reform of the CAP

2.1.103. In the communication entitled 'The Single Act: A new frontier for Europe' adopted on 15 February, the Commission proposes continuing the reform of the common agricultural policy (→ points 1.1.3 to 1.1.7).

Council

2.1.104. The Agriculture Ministers met on 9 and 10 and 23 and 24 February. The two meetings gave them the chance to examine the proposals for the implementing regulations required in order to give effect to the agreement reached in December 1986 on adjustments to the market organizations for milk and beef/veal.⁷

At the 9 and 10 February meeting the Council adopted decisions for beef/veal (→ point 2.1.116) but, failing to reach an agreement regarding milk, it deferred examination of this subject to its 23 and 24 February meeting.

Pending receipt of opinions from Parliament and the Court of Auditors, the Council also reached a joint position, by a qualified majority, in favour of the proposal for a Regulation on the financing of the

¹ OJ L 262, 27.9.1976; OJ L 149, 3.6.1986.

² OJ L 56, 26.2.1987.

³ OJ L 185, 16.8.1971; OJ L 353, 15.12.1983.

⁴ OJ L 75, 17.3.1987.

⁵ OJ L 173, 31.7.1972; OJ L 57, 4.3.1981.

⁶ OJ L 57, 27.2.1987.

⁷ Bull. EC 12-1986, point 1.2.1 *et seq.*, point 2.1.211 *et seq.* and point 2.1.219 *et seq.*

special programme to dispose of butter stocks.¹ In 1987 and 1988 the Member States will meet the losses in value sustained on release from storage. The expenditure will be reimbursed by the EAGGF in four annual instalments from 1989. The EAGGF will meet interest from 1987 on the sums blocked until they are reimbursed.

The meeting on 23 and 24 February was once more given over to the problems regarding milk and the socio-structural measures² on which no decision had been taken at previous meetings.

Discussions regarding milk and milk products centred in particular on the regulations on limiting intervention. In the decisions of December 1986,³ reference had been made to the Commission's intention to 'modify the existing permanent intervention arrangements for butter and for skimmed-milk powder during the period 1 March to 31 August' on the basis of criteria to be adopted by the Council. The Commission's proposals were examined and the Council made substantial progress, but several Member States were critical of the limitation of intervention, which in their opinion would lead to a reduction in prices of about 10%. Following the discussion, the Council noted that some points in the milk file called for more detailed examination.

Following the positions reached during previous meetings in favour of a socio-structural policy better adapted to the present situation of agriculture, the Council resumed examination of this matter. Despite a very lengthy discussion, the Ministers did not reach agreement. Four problems were discussed in depth:

- (i) The application, with some exemptions, of a scheme for encouraging the cessation of farming (early pension), linked to the non-cultivation of land and, in certain cases, to restructuring or the installation of young farmers;
- (ii) aids to encourage the extensification of certain types of production which are in surplus;
- (iii) the granting of aids related to environmental protection in sensitive areas;

(iv) certain adjustments to the compensatory allowance scheme for mountain and hill-farming areas and less-favoured areas.

The proposal for the compulsory introduction by the Member States of an early retirement scheme for farmers 55 years old and over met with much criticism. Several Member States objected to the compulsory nature of such a scheme, which, while remaining voluntary for individual farmers, would be likely to lead to the abandonment of a large proportion of the agricultural land in some regions.

At the end of the discussion, the Council agreed to come to a decision at its meeting on 2 and 3 March.

Agricultural prices and related measures for 1987/88

2.1.105. On 20 February the Commission transmitted to the Council its proposals on agricultural prices and related measures for 1987/88 (→ point 1.2.1 *et seq.*).⁴ In the case of most products the common prices applied for 1986/87 have been either maintained or reduced. However, in a very limited number of cases, a slight increase in prices appears desirable in order to channel production towards products or qualities which are sought after on the market and do not place an excessive burden on the Community budget. For Spain and Portugal the proposals have been drawn up taking into account the provisions of the Act of Accession.

In view also of the agri-monetary adjustments proposed by the Commission, the resulting average increase in prices in national currency is only 0.2% for the Community of Ten, 0.3% for Portugal and 4.9% for Spain.

¹ Bull. EC 1-1987, point 2.1.108.

² OJ C 273, 29.10.1986; Bull. EC 4-1986, point 1.3.1 *et seq.*; Bull. EC 12-1986, point 2.1.244.

³ Bull. EC 12-1986, point 2.1.211 *et seq.*

⁴ COM(87) 1 final.

Table 6 — *Price proposals for individual agricultural products*

Product and type of price or amount (period of application)	Decisions 1986/87		Proposals 1987/88		Spain			Portugal		
	Amounts (ECU/tonne)	% change	Amounts (ECU/tonne)	% change	Amounts (ECU/tonne)		% change	Amounts (ECU/tonne)		% change
					1986/87	1987/88		1986/87	1987/88	
1	2	3	4	5	6	7	8	9	10	11
Common wheat 1.7.87-30.6.88										
• Target price	256.16	+ 0.5	256.10	- 0.02	256.16	256.10	- 0.02	—	—	—
• Intervention price for breadmaking wheat ¹	179.44	0.0	179.44	0.0	172.58	173.72	+ 0.66	—	—	—
• Intervention price for fodder wheat	170.47	- 5.0	165.98 ²	- 2.63	163.95	160.69 ²	- 1.99	—	—	—
Barley 1.7.87-30.6.88										
• Target price	233.86	+ 0.5	228.51	- 2.29	233.86	228.51	- 2.29	—	—	—
• Intervention price	170.47	- 5.0	165.98	- 2.63	156.53	154.67	- 1.19	—	—	—
Maize 1.7.87-30.6.88										
• Target price	233.86	+ 0.5	228.51	- 2.29	233.86	228.51	- 2.29	—	—	—
• Intervention price	179.44	0.0	174.95	- 2.50	172.58	169.38	- 1.85	—	—	—
Sorghum 1.7.87-30.6.88										
• Target price	233.86	+ 0.5	228.51	- 2.29	233.86	228.51	- 2.29	—	—	—
• Intervention price	170.47	- 5.0	165.98	- 2.63	156.53	154.67	- 1.19	—	—	—
Rye 1.7.87-30.6.88										
• Target price	233.86	- 0.3	228.51	- 2.29	233.86	228.51	- 2.29	—	—	—
• Intervention price ³	170.47	- 5.9	165.98	- 2.63	159.05	156.71	- 1.47	—	—	—
Durum wheat 1.7.87-30.6.88										
• Target price	357.70	0.0	357.70	0.0	357.70	357.70	0.0	—	—	—
• Intervention price	299.60	- 4.0	285.49	- 4.71	211.00	215.18	+ 1.95	—	—	—
• Aid (ECU/ha)	113.79	+ 12.3	127.90	+ 12.40	16.26	34.87	+ 114.45	—	—	—
Rice 1.9.87-31.8.88										
• Target price — husked rice	548.37	0.0	553.66	+ 1.0	548.37	553.66	+ 1.0	—	—	—
• Intervention price — paddy rice	314.19	0.0	314.19	0.0	248.88	259.76	+ 4.37	—	—	—
Sugar 1.7.87-30.6.88										
• Basic price for sugarbeet	40.89	0.0	40.07	- 2	47.98	47.16	- 1.7	43.72	42.90	- 1.9
• Intervention price for white sugar	541.80	0.0	531.00	- 2	627.80	617.00	- 1.7	501.20	499.20	- 0.4

Olive oil	1.11.87-31.10.88											
• Production target price		3 225.6	0.0	3 225.6	0.0	3 225.6	3 225.6	0.0	3 225.6	3 225.6	0.0	
• Intervention price		2 162.4	- 5.0	2 162.4	0.0	1 346.1	1 395.1	+ 3.6	1 996.5	2 011.2	+ 0.7	
• Production aid		709.5	0.0	709.5	0.0	145.7	208.3	+ 43.0	71.0	141.9	+ 99.9	
Rapeseed	1.7.87-30.6.88											
• Target price		464.1	0.0	451.6	- 2.7	408.9	403.8	- 1.3	464.6	451.6	- 2.7	
• Intervention price		421.5	0.0	409.0	- 3.0	366.3	361.2	- 1.4	421.1	409.0	- 3.0	
Sunflower seed	1.8.87-31.7.88											
• Target price		583.5	0.0	583.5 ⁴	0.0	428.3	445.5 ⁴	+ 4.0	583.5	583.5 ⁴	0.0	
• Intervention price		534.7	0.0	534.7 ⁴	0.0	379.5	396.7 ⁴	+ 4.5	534.7	534.7 ⁴	0.0	
Soya beans	1.9.87-31.8.88											
• Guide price		575.8	0.0	547.0	- 5.0	423.4	418.2	- 1.2	675.8	547.0	- 5.0	
• Minimum price		506.7	0.0	481.4	- 5.0	354.3	352.6	- 0.5	506.7	481.4	- 5.0	
Dried fodder												
• Fixed-rate aid	1.5.87-30.4.88	8.49	0.0	0.0	—	1.21	0.0	—	1.21	0.0	—	
• Guide price	1.5.87-30.4.88	178.92	0.0	178.92	0.0	152.45	156.86	+ 2.9	178.92	178.92	0.0	
Peas and field beans	1.7.87-30.6.88											
• Activating price		509.6	+ 0.6	453.1	- 11.1	509.6	453.1	- 11.1	509.6	453.1	- 11.1	
• Guide price		328.0	+ 1.0	295.2	- 10.0	328.0	295.2	- 10.0	328.0	295.2	- 10.0	
• Minimum price — peas		286.3	+ 1.0	257.7	- 10.0	286.3	257.7	- 10.0	286.3	257.7	- 10.0	
— field beans		276.2	+ 1.0	248.6	- 10.0	276.2	248.6	- 10.0	276.2	248.6	- 10.0	
Lupins	1.7.87-30.6.88											
• Activating price		485.0	+ 0.5	433.5	- 10.6	499.6	407.1	- 9.5	485.0	433.5	- 10.6	
• Minimum price		321.1	+ 1.0	289.0	- 10.0	299.0	271.9	- 9.1	321.0	289.0	- 10.0	
Flax	1.8.87-31.7.88											
• Guide price (seed)		554.1	0.0	554.1	0.0	468.1	477.7	+ 2.1	554.1	554.1	0.0	
• Fixed-rate aid (fibre) (per ha)		355.09	0.0	355.09	0.0	50.73	101.46	+ 100.0	50.73	101.46	+ 100.0	
Hemp	1.8.87-31.7.88											
• Fixed-rate aid (per ha)		322.48	0.0	322.48	0.0	46.07	92.14	+ 100.0	46.07	92.14	+ 100.0	
Silkworms	1.4.87-31.3.88											
• Aid per box of silkseed		108.67	0.0	112.0	+ 3.0	15.52	31.6	+ 103.6	15.52	31.6	+ 103.6	
Cotton	1.9.87-31.8.88											
• Guide price		3 240.0 ⁵	0.0	3 240.0 ⁵	0.0	3 240.0 ⁵	3 240.0	0.0	3 240.0 ⁵	3 240.0	0.0	
• Minimum price		912.3	0.0	912.3	0.0	912.3	912.3	0.0	912.3	912.3	0.0	

Table 6 (continued)

Product and type of price or amount (period of application)	Decisions 1986/87		Proposals 1987/88		Spain			Portugal		
	Amounts (ECU/tonne)	% change	Amounts (ECU/tonne)	% change	Amounts (ECU/tonne)		% change	Amounts (ECU/tonne)		% change
					1986/87	1987/88		1986/87	1987/88	
1	2	3	4	5	6	7	8	9	10	11
Milk 1.4.87-31.3.88										
• Target price	278.4	0.0	278.4	0.0	—	—	—	—	—	—
Butter										
• Intervention price	3 132.0	0.0	3 132.0	0.0	3 480.7	3 436.0	- 1.3	—	—	—
Skimmed-milk powder										
• Intervention price	1 740.4	0.0	1 740.4	0.0	2 378.8	2 319.6	- 2.5	—	—	—
Grana padano cheese 30-60 days										
• Intervention price	3 889.3	0.0	3 889.3	0.0	—	—	—	—	—	—
Grana padano cheese 6 months										
• Intervention price	4 803.3	0.0	4 803.3	0.0	—	—	—	—	—	—
Parmigiano-Reggiano 6 months										
• Intervention price	5 291.9	0.0	5 291.9	0.0	—	—	—	—	—	—
Beef/veal 6.4.87-3.4.88										
• Guide price for adult bovines ⁶	2 050.2	0.0	2 050.2	0.0	2 050.2	2 050.2	0.0	—	—	—
• Intervention price quality R 3 cat. A ⁷	3 500.0	0.0	3 440.0	- 1.7	3 024.0	3 440.0 ⁸	+ 13.8	—	—	—
• Intervention price quality R 3 cat. C ⁷	3 350.0	0.0	3 440.0	+ 2.7	3 024.0	3 440.0 ⁸	+ 13.8	—	—	—
Sheepmeat 6.1.88-3.1.89										
• Basic price (carcase weight)	4 323.2	0.0	4 323.2	0.0	4 323.2	4 323.2	0.0	4 323.2	4 323.2	0.0
Pigmeat 1.11.87-31.10.88										
• Basic price (carcase weight)	2 033.3	0.0	2 033.3	0.0	2 033.3	2 033.3	0.0	—	—	—
Fruit and vegetables — basic price										
• Cauliflowers 1.5.87-30.4.88				0.0	—	—	—	—	—	—
• Tomatoes 11.6.87-30.11.87				0.0	—	—	—	—	—	—
• Peaches 1.6.87-30.9.87				- 5.0	—	—	—	—	—	—
• Lemons 1.6.87-31.5.88				- 2.5	—	—	—	—	—	—
• Pears 1.7.87-30.4.88				0.0	—	—	—	—	—	—
• Table grapes 1.8.87-31.10.87		9		0.0	—	—	—	—	—	—
• Apples 1.8.87-31.5.88				0.0	—	—	—	—	—	—
• Mandarins 16.11.87-29.2.88				- 5.0	—	—	—	—	—	—
• Sweet oranges 1.12.87-31.5.88				- 2.5	—	—	—	—	—	—
• Apricots 1.6.87-31.7.87				- 5.0	—	—	—	—	—	—
• Aubergines 1.7.87-31.10.87				0.0	—	—	—	—	—	—

Table wine	1.9.87-31.8.88										
• Guide price Type RI		3.42	0.0	3.35	- 2.0	2.11	2.28	+ 8.1	—	—	—
• Guide price Type RII		3.42	0.0	3.35	- 2.0	2.11	2.28	+ 8.1	—	—	—
• Guide price Type RIII		53.30	0.0	58.23	- 2.0	32.82	35.55	+ 8.1	—	—	—
• Guide price Type AI		3.17	0.0	3.11	- 2.0	1.95	2.11	+ 8.2	—	—	—
• Guide price Type AII		71.02	0.0	69.60	- 2.0	43.74	47.32	+ 8.2	—	—	—
• Guide price Type AIII		81.11	0.0	79.49	- 2.0	49.96	54.05	+ 8.2	—	—	—
Seeds		various									
		aids	0.0		up to + 10 %			up to + 10 %			up to + 10 %

¹ For 1986/87 this price is increased by 3.59 ECU/t for higher quality. The same increase is proposed for 1987/88.

² This price results from the application of a maximum reduction of 7.5 % (5 % in 1986/87).

³ For 1986/87 this price is raised by a special increase of 8.97 ECU/t for rye of breadmaking quality. An increase of 13.46 ECU/t is proposed for 1987/88.

⁴ Price for a quality with a moisture content of 9 % instead of 10 %.

⁵ Equivalent to 960.2 ECU/t unginned cotton

⁶ Price expressed per tonne liveweight.

⁷ In view of the Council's conclusions in 1984, 1987/88 is the first marketing year where the intervention price for liveweight is to be replaced by the carcase weight.

⁸ Following the Council decision of December 1986, the guide and intervention prices fixed for beef/veal are also applicable in Spain; this decision will entail the discontinuation of the national slaughter aid.

⁹ Differences in withdrawal prices in 1986/87: cauliflowers + 1, tomatoes - 7.5, peaches - 7.5, lemons - 2.5, pears 0, table grapes 0, apples 0, mandarins - 2.5, sweet oranges - 2.5, apricots - 4 and aubergines + 1. The differences in basic prices in 1987/88 entail an equivalent difference in withdrawal prices.

Table 7 — *Price proposals for tobacco*

Product and type of price or amount (period of application)	1986 harvest		1987 proposals Community of Twelve ¹	
	Price/premium	% change on 1985	Price/premium	% change on 1986
1	2		3	
Group				
I				
3. Virgin D				
7. Bright				
17. Basmás	Price	0		
18. Katerini	Premium	0	Price	+ 3
26. Virgin El.			Premium	+ 5
31. Virgin Esp.	Price	0		
33. Virgin Port.	Premium	—		
II				
2. Bad. Burley	Price	- 2		
8. Burley I	Premium	- 2		
9. Maryland	Price/prem.	0	Price	0
25. Burley El.	Price/prem.	- 2	Premium	+ 3
32. Burley Esp.	Price	- 2		
34. Burley Port.	Premium	—		
III				
1. Bad. Geud.				
4. Paraguay	Price	- 4		
5. Nijkerk	Premium	- 4		
6. Missionero				
10. Kentucky	Price/prem.	0	Price	+ 2
16. Round Tip	Price/prem.	- 4	Premium	+ 2
27. Santa Fé	Price/prem.	- 4		
28. Burley Fermenté	Price	- 6		
29. Havana Esp.	Premium	—		
30. Round Scafati	Price	- 4		
	Premium	—		
IV				
13. Xanti-Yaka	Price	- 4		
14. Perustitza	Premium	- 4		
15. Erzegovina			Price	- 4
19. K.K. classic	Price/prem.	- 2	Premium	- 2
20. K.K. non-classic	Price/prem.	- 4		
21. Myrodata Ag.	Price	- 2		
22. Zichnomyrodata	Premium	- 2		
V				
11. Forch. Havana				
12. Beneventano	Price	- 6	Price	- 10
23. Tsebelia	Premium	- 6	Premium	- 8
24. Marva				

¹ First fixing in 1986.

Table 8 — *Agri-monetary proposals 1987/88*

	Sector	Central rate		Old green rate	New green rate	% change	Impact on prices (%)	Old gap		New gap		Disman- tling (points)
		Fixed	Green					Real	Applied	Real	Applied	
BLEU	Livestock products	42.4582	47.7950	47.3310	47.3310	0.00	0.00	- 0.980	0.0	- 0.980	0.0	0.0
	Crop products			46.8712	46.8712	0.00	0.00	- 1.971	0.0	- 1.971	0.0	0.0
Denmark	Livestock products	7.85212	8.83910	8.58163	8.58163	0.00	0.00	- 3.000	- 1.5	- 3.000	- 1.5	0.0
	Crop products			8.54064	8.54064	0.00	0.00	- 3.495	- 2.0	- 3.495	- 2.0	0.0
	Pigmeat			8.70847	8.70847	0.00	0.00	- 1.500	- 0.0	- 1.500	0.0	0.0
Germany	Milk	2.05853	2.31728	2.41047	2.34069	+ 2.98	- 2.90	3.866	2.9	+ 1.0	0.0	2.9
	Cereals			2.39792		+ 2.45	- 2.39	3.363	2.4	+ 1.0	0.0	2.4
	Wine			2.38516		+ 1.90	- 1.86	2.846	0.0	+ 1.0	0.0	0.0
	Other sectors			2.38516		+ 1.90	- 1.86	2.846	1.8	+ 1.0	0.0	1.8
Greece	Wine	150.792		116.673	120.874	- 3.48	3.60	- 43.795	- 38.8	- 38.795	- 33.8	- 5.0
	Sheepmeat			130.674	130.674	0.00	0.00	—	—	—	—	—
	Other sectors			116.673	120.874	- 3.48	3.60	- 43.795	- 42.3	- 38.795	- 37.3	- 5.0
	Pigmeat			117.901	122.195	- 3.51	3.64	- 42.295	- 40.8	- 37.295	- 35.8	- 5.0
Spain	Sheepmeat			151.806	151.806	0.00	0.00	—	—	—	—	—
	Other livestock products			147.208	152.605	- 3.54	3.67	- 10.061	- 8.6	- 6.161	- 4.7	- 3.9
	Wine			145.796	152.510	- 4.40	4.61	- 11.127	- 6.1	- 6.161	- 1.2	- 4.9
	Crop products			145.796	152.510	- 4.40	4.61	- 11.127	- 9.6	- 6.227	- 4.7	- 4.9
	Pigmeat			149.272	154.837	- 3.59	3.73	- 8.531	- 7.0	- 4.631	- 3.1	- 3.9
France	Milk	6.90403	7.77184	7.31248	7.43388	- 1.63	1.66	- 6.282	- 4.8	- 4.546	- 3.0	- 1.8
	Pigmeat			7.65699	7.65699	0.00	0.00	- 1.500	0.0	- 1.500	0.0	0.0
	Beef/veal — (sheepmeat)			7.54539	7.54539	0.00	0.00	- 3.001	- 1.5	- 3.001	- 1.5	0.0
	Eggs and poultry			7.20131	7.43388	- 3.13	3.23	- 7.923	- 3.2	- 4.546	0.0	- 3.2
	Wine			7.20771	7.43388	- 3.04	3.14	- 7.827	- 2.8	- 4.546	0.0	- 2.8
	Crop products			7.09967	7.43388	- 4.50	4.71	- 9.468	- 8.0	- 4.546	- 3.0	- 5.0
Ireland	Livestock products	0.768411	0.864997	0.817756	0.827383	- 1.16	1.18	- 5.777	- 4.3	- 4.546	- 3.0	- 1.3
	Crop products			0.782478	0.827383	- 5.43	5.74	- 10.546	- 9.0	- 4.546	- 3.0	- 6.0
	Pigmeat			0.829519	0.839176	- 1.15	1.16	- 4.277	- 2.8	- 3.077	- 1.6	- 1.2
Italy	Pigmeat	1 483.580		1 577	1 594	- 1.07	1.08	- 4.394	- 2.9	- 3.281	- 1.8	- 1.1
	Cereals			1 539	1 570	- 1.97	2.01	- 6.974	- 5.5	- 4.860	- 3.4	- 2.1
	Wine			1 554	1 570	- 1.02	1.03	- 5.941	- 1.0	- 4.860	0.0	- 1.0
	Other sectors			1 554	1 570	- 1.02	1.03	- 5.941	- 4.4	- 4.860	- 3.4	- 1.0

Table 8 — *Agri-monetary proposals 1987/88*

	Sector	Central rate		Old green rate	New green rate	% change	Impact on prices (%)	Old gap		New gap		Disman- tling (points)
		Fixed	Green					Real	Applied	Real	Applied	
The Netherlands	Milk	2.31943	2.61097	2.71620	2.63734	+ 2.99	- 2.90	3.874	2.9	+ 1.0	0.0	2.9
	Cereals			2.70178		+ 2.44	- 2.39	3.361	2.4	+ 1.0	0.0	2.4
	Other sectors			2.68749		+ 1.90	- 1.87	2.847	1.8	+ 1.0	0.0	1.8
Portugal	Sugar			151.812	167.873	- 9.57	10.58	- 18.033	- 16.5	- 6.733	- 5.2	- 11.3
	Livestock products			162.102	162.102	0.00	0.00	—	—	—	—	—
United Kingdom	Pigmeat	0.739615		0.661898	0.683817	- 3.21	3.31	- 24.792	- 23.3	- 20.792	- 19.3	- 4.0
	Beef/veal			0.668197	0.690534	- 3.23	3.34	- 23.617	- 22.1	- 19.617	- 18.1	- 4.0
	Sheepmeat			0.652575	0.652575	0.00	0.00	—	—	—	—	—
	Milk and milk products			0.635626	0.655802	- 3.08	3.17	- 29.952	- 28.5	- 25.952	- 24.5	- 4.0
	Eggs and poultry			0.635626	0.655802	- 3.08	3.17	- 29.952	- 25.7	- 25.952	- 21.7	- 4.0
	Crop products			0.626994	0.646618	- 3.03	3.13	- 31.741	- 30.2	- 27.741	- 26.2	- 4.0

Coefficient: 1.125696.

Floating currencies: the old gaps are those in force on 2 February 1987; the new gaps are those resulting from the proposals.

Pigmeat: Old green rates = those at the beginning of the 1987/88 milk year.

Table 9 — *Consequences of the Commission proposals on agricultural support prices in ECU and national currency*

	% change in prices ¹	
	in ECU ²	in national currency ³
Belgium	- 0.2	- 0.2
Denmark	- 0.5	- 0.5
Germany	- 0.3	- 2.5
Greece	- 0.8	2.4 ⁴
France	- 0.5	1.7
Ireland	- 0.2	1.5
Italy	- 0.9	0.2
Luxembourg	- 0.2	- 0.2
The Netherlands	- 0.1	- 2.4
United Kingdom	- 0.4	2.7 ⁵
EUR 10	- 0.5	0.2
Spain ⁶	1.0	4.9
Portugal ⁶	0.3	0.3

¹ Between the support prices proposed for 1987/88 and the support prices in force when the proposals were adopted.

² Common prices in ECU (intervention or equivalent price) weighted according to the relative importance of the various products in the value of agricultural production subject to common prices.

³ Common prices in ECU converted into national currency at the green rates given in the proposals.

⁴ Calculated on the basis of a dismantling of five points of MCA.

⁵ Calculated on the basis of a dismantling of four points of MCA.

⁶ Taking into account the effect of the alignment of Spanish and Portuguese prices on common prices due to accession arrangements.

Emergency measures (cold spell)

2.1.106. As a result of the initiatives taken by the Commission and the Council to make foodstuffs from intervention stores available to charitable organizations,¹ the following quantities were distributed in February:

• butter	8 534
• milk	2 853
• yoghurt	2
• cheese	339
• beef	3 087.8
• flour	24 225
• meal	5 206
• sugar	7 986.7
• olive oil	2 098

These measures are to apply until 31 March 1987 only.

Economic aspects of the common agricultural policy

Agri-monetary measures

2.1.107. On 9 February the Council adjusted the agricultural conversion rate for pigmeat for Denmark, France, Greece, Ireland, Italy, Spain and the United Kingdom² so that the monetary compensatory amounts (MCAs) applying in those countries are dismantled by:

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

Following that decision, the MCAs applying to pigmeat in the Member States concerned were adjusted from 16 February.³

2.1.108. The big monetary gap for the pound sterling has led to distortions of competition for some processed products in the poultrymeat sector. To deal with such problems, the Commission introduced, from 16 February, MCAs for products falling within CCT tariff subheadings 16.02 B I a) 1 aa), 16.02 B II and 16.02 B I a) 1 bb);⁴ as regards the first two subheadings, the MCAs do not

¹ Bull. EC 1-1987, point 2.1.87.

² OJ L 44, 13.2.1987.

³ OJ L 47, 16.2.1987.

⁴ OJ L 20, 22.1.1987; OJ L 47, 16.2.1987.

apply for the moment to imports from non-member countries, as the difficulties encountered affect only trade between Member States.

Market organizations

Cereals

Market situation ¹

2.1.109. According to the most recent statistical information, Community production of common wheat for 1986/87 amounts to 64.5 million tonnes compared with 65.9 million tonnes in 1985/86. This fall in production is the result of the lower yields ascribable in the main to the drought which affected the production of cereals as a whole in Spain.

Intervention stocks, which amounted to 10.3 million tonnes at the end of the marketing year (30 June 1986), were around 6.2 million tonnes at the end of February 1987 and should not exceed 6.4 million tonnes at the end of the present marketing year. This reduction in end-of-year intervention stocks is due, according to present forecasts, to an increase in the use of common wheat by the animal feed industry.

Exports of common wheat, as such or in the form of flour, including food aid, amounted to approximately 15 million tonnes at the end of February. Except for several invitations to tender kept open on the free market for limited quantities, the Community export programme for 1986/87 may be considered as completed.

2.1.110. For 1986/87 Community production of durum wheat is 17.6% up on the previous year. This increase in production is due both to the increase in yields (25.5 quintals per hectare compared with 24 quintals in 1985/86) and to the increase in areas under durum (2.68 million hectares compared with 2.42 million hectares, i.e. + 10.7%).

As Community availabilities far exceed possibilities of disposal both within the Community and on the world market, there should be a significant increase in intervention stocks at the end of the year.

Sugar

2.1.111. On 12 February the Commission amended ² its Regulations of 3 September 1986 ³ and 22 October 1986 ⁴ as regards unrefined beet and cane sugar harvested in the Community for the supply of Portuguese refineries.

The purpose of the amending Regulation is, in the light of experience gained, to relax the administrative procedure laid down in order to expedite the dispatch of unrefined Community (cane and beet) sugar to Portugal for refining.

In addition, the more or less final figures for sugar production in the French departments of Guadeloupe and Martinique are slightly higher (approximately 4 800 tonnes) than forecast in June 1986. Consequently, the figures fixed previously for 1986/87 ⁵ should be revised accordingly in order to ensure that all sugar produced in the French overseas departments qualifies for the aids for transport and refining provided for in Article 9 of the basic sugar Regulation. ⁵

2.1.112. On 12 February the Commission adopted a Regulation laying down for the period 1 July to 31 December 1986 compensation measures in respect of preferential raw sugar and raw sugar from the French overseas departments intended for refining in the Community. ⁶

The aim of the Regulation is to allow, as an interim protective measure, partial compensation, covering structural inequalities, for preferential raw sugar and raw sugar from the French overseas departments for

¹ Bull. EC 11-1986, points 2.1.174 and 2.1.175.

² OJ L 43, 13.2.1987; OJ L 60, 3.3.1987.

³ OJ L 253, 5.9.1986; Bull. EC 9-1986, point 2.1.110.

⁴ OJ L 299, 23.10.1986.

⁵ OJ L 177, 1.7.1981; Bull. EC 6-1981, point 2.1.88.

⁶ OJ L 43, 13.2.1987.

refining in the Community for the first half of 1986/87.

Milk and milk products

2.1.113. As part of the implementation of the 11th communication from the Commission to the Council on the programme for the utilization of funds from the co-responsibility levy in the milk sector for the 1987/88 milk year,¹ the Commission approved:

- (i) a Regulation continuing the measures on the improvement of the quality of milk in Greece and Italy, where difficulties remain as regards the quality of raw milk;
- (ii) a Regulation continuing the promotional and publicity measures in respect of milk and milk products with a view to enlarging the market for milk products within the Community.²

*Market situation*³

2.1.114. As regards the application of the milk quota system, the provisional estimates for deliveries of milk to purchasers from April to December 1986 in the third period of application of the supplementary levy indicate that most Member States (Community of Ten) exceeded the guaranteed quantity allocated to them. The total quantity in excess was roughly 1.5 million tonnes, or 2%, and consequently a substantial reduction in deliveries will be necessary to remain within the guaranteed overall quantity at the end of the third period of application (31 March 1987).

In 1986 exports from the Community of Ten (excepting exports to Spain, Portugal and the USSR and food aid) were as follows compared to 1985: milk and fresh milk products 182 000 tonnes (+ 7.1%), condensed milk 433 000 tonnes (− 20.6%), skimmed-milk powder 169 000 tonnes (− 1.2%), whole-milk powder 466 000 tonnes (− 1.1%), butter 81 000 tonnes (+ 20.9%), butteroil 90 000 tonnes (− 4.3%) and cheese 374 000 tonnes (− 5.6%).

2.1.115. Intervention stocks (public and private) in February 1987 are compared with those in February 1986 in Table 10.

Table 10 — *Intervention stocks (public and private)*

	tonnes	
	February 1987	February 1986
Butter	1 372 713	1 144 742
Skimmed-milk powder	805 697	597 347
Cheese	105 391	94 580

Quantities released from storage under the measures to dispose of public stocks in 1986 amounted to a total of 359 954 tonnes of butter and 350 480 tonnes of skimmed-milk powder.

Beef/veal

2.1.116. On 10 February, on a proposal from the Commission,⁴ the Council adopted:⁵

- (i) a Regulation amending the Regulation of 27 June 1968 on the common organization of the market in beef and veal⁶ and the system of premiums granted in the beef and veal sector, and
- (ii) a Regulation laying down general rules applying to the special premium for beef producers.

These Regulations are the formal instruments giving effect to the beef/veal agreement reached by the Council in December 1986.⁷

2.1.117. On 20 February Parliament adopted an opinion⁸ on the proposal for

¹ Bull. EC 1-1987, point 2.1.91.

² OJ L 57, 27.2.1987.

³ Bull. EC 6-1986, point 2.1.178.

⁴ Bull. EC 1-1987, point 2.1.94.

⁵ OJ L 48, 17.2.1987.

⁶ OJ L 148, 28.6.1968.

⁷ Bull. EC 12-1986, points 1.2.1 *et seq.* and 2.1.219 *et seq.*

⁸ OJ C 76, 23.3.1987.

a Regulation¹ increasing the Community tariff quota opened by the Regulation of 26 May 1986² for livestock of certain mountain breeds. Parliament approved the proposal subject to a joint commitment by Austria and the Community to the effect that this quota for store animals would not disturb the market in beef/veal or the production of store animals in the Community.

Market situation³

2.1.118. The high level of production prevailing in the Community in the last few years was maintained in 1986. The number of slaughterings fell slightly in the main producing countries despite further reductions in the dairy herd, while low cattlefeed prices encouraged producers to fatten cattle further before slaughter, thereby increasing the average slaughter weight.

Consumption of beef/veal was stable despite very strong competition from other meat owing to substantially lower prices for pigmeat and poultrymeat, which are both very dependent upon feedingstuff prices.

Production is estimated to have exceeded consumption by 450 000 tonnes in 1986. Imports totalled approximately 450 000 tonnes while Community exports set a new record with approximately 1.1 million tonnes. The export trade benefited from the absence on the world market of traditional competitors, thereby being able to overcome several reductions of the export refunds despite the impact of a continuing weak dollar.

Market prices for live cattle declined from 152 ECU/100 kg in January to 142 ECU in December. Prices sagged in particular during the last six months of the year.

In order to support the market, the intervention agencies bought in hindquarters until mid-May, forequarters until early September and hindquarters again in the autumn months. Total buying-in in 1986 amounted to 578 000 tonnes, but owing to the active destocking policy embarked upon

by the Commission a record 744 000 tonnes were contracted for sale out of intervention, the bulk of which was intended for export. Accordingly, stocks of intervention beef, which amounted to 748 000 tonnes at the beginning of 1986, were gradually reduced to 583 000 tonnes by the end of the year.

Further to the intervention measures, the Commission in its management of the market introduced in August a temporary market support measure in the form of aid for the private storage of beef.⁴ Contracts were concluded for 150 000 tonnes to be withdrawn from the market in September, October and November.

In December the Council reached agreement on the future intervention system to be applied for beef.⁵ The new system, which is to apply from 6 April 1987 to the end of 1988, is intended to limit substantially the quantities bought in by way of lower guaranteed prices much closer to the prevailing market prices than at present. Compensation for the reduction in the guaranteed prices will be provided through a special premium to be granted on adult male animals.

Production in 1987 is expected to decline, though the new measures in the dairy sector⁶ will result in yet another round of cow slaughterings. Consumption will probably remain at its present level in view of the competition from other meats.

Imports are expected to be in the region of the traditional 450 000 tonnes; whereas exporters may find trade somewhat more difficult than in 1986. Internal market prices are consequently expected to remain at fairly low levels but with an upward tendency.

¹ Bull. EC 12-1986, point 2.1.222.

² OJ L 150, 4.6.1986; Bull. EC 5-1986, point 2.1.131.

³ Bull. EC 2-1986, point 2.1.113.

⁴ Bull. EC 7/8-1986, point 2.1.155.

⁵ Bull. EC 12-1986, points 1.2.1 *et seq.* and 2.1.219 *et seq.*

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

Pigmeat

Market situation¹

(December 1986 to February 1987)

2.1.119. The pigmeat market showed an excess of supply and consequently very low prices during the period under review. By the end of December 1986, the average Community price for pig carcasses was 15% lower than one year earlier. As a result of this price drop, pig production became unprofitable for many producers despite relatively favourable feed costs.

In order to avoid too steep a fall in prices, a programme of aids to private storage of pigmeat was introduced from 19 January.² In the first four weeks of its operation, some 37 000 tonnes of meat were contracted for storage under this programme. A general increase in export refund levels was also introduced from 9 February.³ These measures had an immediate beneficial impact on pigmeat prices, which rose slightly towards the end of January and then stabilized.

A number of regulations were adopted fixing quotas on imports of pigs and pigmeat products into Spain and Portugal. Some of these⁴ concerned the renewal for 1987 of annual import quotas provided for either in the Act of Accession or by Council regulation. In addition, a new quota was introduced on 18 February to limit imports of piglets into Spain from the other Member States.⁵ This transitional measure aims at mitigating certain adverse effects on Spanish piglet producers of the liberalization of trade following accession.

Lastly, pursuant to the regulations on the new Community scale for grading pig carcasses,⁶ the Commission approved objective grading methods proposed by Germany,⁷ the Netherlands⁸ and Denmark,⁹ the first three Member States to take these necessary preliminary steps in order to implement the new scale.

Eggs and poultry

Market situation¹⁰

2.1.120. The Community market in eggs, which went through a cyclically disturbed

year of over-supply and low prices in 1986, comparable to the previous trough experienced in 1982/83, has shown definite signs of recovery since December. Despite only a modest fall in production during 1986 (0.4%) and a reduction of export outlets in non-member countries, markets rallied in most Member States and are forecast to be stable with mostly adequate returns over the next few months. Although a further drop in production is expected in 1987 (– 1.8%), the balance achieved is very vulnerable since consumption is stagnating in addition to exports, with self-sufficiency barely stable at around 102%.

The internal market in poultrymeat remains stable and price levels satisfactory (except in Italy and Spain). Exports of whole chickens fell by 10% in 1986, following a reduction in demand on the part of certain non-member countries and above all heavy competition for shares of some expanding markets. This was not entirely compensated by the fact that some poultrymeat, especially turkey cuts, showed excellent non-member country export results. In contrast to that of eggs, internal consumption of most types of poultrymeat continued to rise strongly in 1986 and all indications are that this trend will continue in 1987 (for dietary reasons as well as price differentials with other meats). Internal production of all types of poultrymeat grew by 3.1% in 1986, with a forecast of 1.5% for 1987 in line with the increase in demand.

Processed fruit and vegetables

2.1.121. On 11 February the Commission amended¹¹ its Regulation of 29 July 1986¹²

¹ Bull. EC 11-1986, point 2.1.188 *et seq.*

² OJ L 14, 16.1.1987.

³ OJ L 36, 7.2.1987.

⁴ OJ L 352, 13.12.1986; OJ L 371, 31.12.1986.

⁵ OJ L 50, 19.2.1987.

⁶ OJ L 285, 25.10.1985; Bull. EC 11-1985, point 2.1.140.

⁷ OJ L 17, 20.1.1987.

⁸ OJ L 51, 20.2.1987.

⁹ OJ L 68, 12.3.1987.

¹⁰ Bull. EC 7/8-1986, point 2.1.158.

¹¹ OJ L 42, 12.2.1987.

¹² OJ L 206, 30.7.1986.

as regards the countervailing charges to be imposed where the minimum import price for dried grapes is not observed.

2.1.122. On 12 February the Commission adopted a Regulation fixing the export refunds for tomato concentrate.¹ This product was added to the list of processed products eligible for an export refund. The amount for the Community of Twelve was fixed at 6 ECU/100 kg net for all destinations other than North America.

Wine

2.1.123. On 23 February the Council, acting on a proposal from the Commission² after receiving the opinion of Parliament,³ adopted an amendment⁴ to the basic Regulation in the wine sector⁵ with the aim, following the difficulties encountered in applying the arrangements for the compulsory distillation of table wine for the first time, of extending for the 1986/87 to 1989/90 wine years inclusive the transitional provisions laid down for the first year of application of the arrangements.

2.1.124. On 23 February, acting on a proposal from the Commission⁶ after receiving Parliament's opinion,³ the Council adopted three Regulations laying down special provisions on quality wines produced in specified regions and general rules for the description and presentation on the one hand of wine and grape must and on the other hand of sparkling wine and aerated sparkling wine.⁴

2.1.125. On 9 February the Commission extended,⁷ by one month the final date for submitting contracts and delivery declarations in respect of wine to be fortified for preventive distillation in the current year.⁸ This was to enable the operations to be carried out despite the difficulties encountered in communications owing to the unfavourable weather conditions and the disruption of rail services in regions where a significant quantity of wine is fortified for distillation.

2.1.126. On 11 February the Commission updated⁹ the classification of vine varieties.¹⁰

2.1.127. On 27 February it opened the compulsory distillation of table wine for the current wine year, a measure essential to restore balance on the market.¹¹ Distillation relates to a total of 22 773 million hectolitres broken down between France (5.3 million hl), Italy (10.6 million hl), Greece (0.273 million hl) and Spain (6 million hl) depending on the quantities of table wine produced by those Member States during the year.

2.1.128. The regulations in the sector provide for support distillation of table wine to be opened for a maximum quantity of 6.2 million hectolitres where compulsory distillation is decided on (→ point 2.1.127). In view of the improvement in market conditions for table wine expected from compulsory distillation, the quantity to be distilled under the support distillation measures was limited to 4 million hectolitres for the 1986/87 wine year.¹¹

Accession-related measures

2.1.129. To offset the difficulties of applying the supplementary trade mechanism (STM) provided for by the Act of Accession of Spain to some wine originating in that country and imported into another Member State before the date of accession and stored before release to the market, the Commission decided on 2 February that such wine could be released to the market without STM licences or STM import licences being submitted, provided that it could be

¹ OJ L 43, 13.2.1987.

² OJ C 287, 14.11.1986; Bull. EC 10-1986, point 2.1.139.

³ OJ C 76, 23.3.1987.

⁴ OJ L 55, 25.2.1987.

⁵ OJ L 54, 5.3.1979; OJ L 88, 28.3.1985; Bull. EC 2-1985, point 1.1.2.

⁶ OJ C 248, 4.10.1986; Bull. EC 9-1986, point 2.1.113.

⁷ OJ L 40, 10.2.1987.

⁸ OJ L 281, 2.10.1986; Bull. EC 10-1986, point 2.1.141.

⁹ OJ L 42, 12.2.1987.

¹⁰ OJ L 381, 31.12.1981; OJ L 248, 17.9.1985.

¹¹ OJ L 58, 28.2.1987.

identified on the basis of suitable documents.¹

2.1.130. On 27 February the Commission adapted the detailed rules of application for the compulsory distillation of table wine² with a view to implementing the measure in Spain from this wine year;³ it also limited the exemptions from the obligation to distil granted to certain producers.

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2.1.131. On 19 February Parliament adopted an opinion⁴ on the proposal for an amendment⁵ to the basic Regulation in the wine sector⁶ enabling eligibility for aids granted in this sector to be extended to the use of grape must in feedingstuffs. Parliament approved the proposal in so far as it aims to find a solution to the surplus situation at present affecting the market in wine, which is confronted with a good harvest and a high level of stocks.

2.1.132. In February Parliament also approved⁴ a proposal for an amendment⁷ to the Regulation on the common organization of the market in wine⁶ whose purpose is to ratify until the end of the 1989/90 wine year Spanish legislation prior to accession which laid down a natural alcoholic strength by volume of 9% vol for almost all the wine-growing area, by including the major part of the Spanish wine-growing area in wine-growing zone CIII (b).

2.1.133. On 25 February the Economic and Social Committee adopted an opinion on this proposal to amend the wine Regulation⁷ (→ point 2.4.28).

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Import arrangements for manioc and sweet potatoes

2.1.134. On 9 February the Council adopted a Regulation on the import arrangements for manioc and sweet potatoes from all non-member countries for 1987 and subsequent years.⁸

2.1.135. Following the adoption of the general manioc Regulation, on 16 February the Commission adopted three Regulations laying down rules for implementing the import arrangements applicable to manioc originating in China and Thailand.

Legislation

Veterinary and animal husbandry legislation

2.1.136. On 13 February the Commission transmitted to the Council a proposal for a Directive to do away with health barriers to trade in egg products and contribute towards achieving the internal market in that sector.⁹ Egg products must be manufactured, undergo heat treatment and be handled, packaged, stored and transported in a similar fashion in all the Member States, in accordance with certain requirements designed to ensure that the products present no danger to human health.

2.1.137. As the Scientific Veterinary Committee had delivered a favourable opinion on the use of a new treatment for the preparation of pigmeat products in Member States contaminated by African swine fever, on 13 February the Commission transmitted to the Council a proposal¹⁰ for an amendment to the basic Directive on the subject¹¹ with a view to ensuring better marketing of Spanish and Portuguese production.

2.1.138. The outbreak of foot-and-mouth disease continues in Italy. The restrictive measures provided for in trade in livestock, fresh meat and certain meat products have

¹ OJ L 32, 3.2.1987.

² OJ L 58, 28.2.1987.

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

⁴ OJ C 76, 23.3.1987.

⁵ OJ C 243, 27.9.1986; Bull. EC 9-1986, point 2.1.112.

⁶ OJ L 54, 5.4.1979; OJ L 88, 28.3.1985; Bull. EC 2-1985, point 1.1.2.

⁷ OJ C 326, 19.12.1986; Bull. EC 12-1986, point 2.1.239.

⁸ Bull. EC 11-1986, point 2.1.195.

⁹ OJ C 67, 14.3.1987.

¹⁰ OJ C 55, 3.3.1987; COM(87) 51 final.

¹¹ OJ L 47, 21.2.1980; Bull. EC 1-1980, point 2.1.46.

been maintained.¹ Outbreaks of classical swine fever have occurred in Belgium and Germany. It has not been necessary to amend the protective measures to be taken in respect of trade in live pigs.² However, the region of Unterfranken's official classical-swine-fever-free status has had to be withdrawn. The Commission approved the fourth amendment to the plan for the accelerated eradication of classical swine fever presented by Italy³ and the third amendment presented by Greece. On 5 February an outbreak of avian influenza was recorded in Ireland. In the light of the energetic measures taken by the Irish authorities, no specific protective measure needed to be adopted at Community level.

2.1.139. On 20 February Parliament adopted a favourable opinion⁴ on the proposals to ensure the eradication of classical swine fever.⁵

2.1.140. The Commission continued the introduction of the rules applying in the public health sector to imports of fresh meat from non-member countries.⁶ The lists of establishments in several countries approved for the purpose of importing fresh meat into the Community were updated by decisions,⁷ following inspections carried out in those countries. In addition, the lists of the establishments approved for the purpose of importing meat products into the Community were drawn up for Brazil and amended for Argentina and Uruguay.

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2.1.141. On 20 February Parliament adopted a resolution on a policy to ensure the welfare of livestock (→ point 2.4.11).⁴

Competition

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

Germany

Lower Saxony

Aid for investments for the construction of a potato starch factory in Lüchow, situated in a region affected by the division of Germany.

Rhineland-Palatinate

Variation of an existing aid scheme concerning measures for publicity campaigns and for disposal in the wine sector.

France

Aid for suckled calves involving technical assistance to stockfarmers to improve the productivity of stockfarming while maintaining the traditional form of natural feeding, a quality control programme at the farming, slaughter and distribution levels, and a publicity campaign to improve marketing.

Netherlands

Aids in the potato starch sector (AVEBE). These involve a State guarantee on the balance of an operating loan, the granting of aid in the form of a State guarantee in 1985 for a short-term operating loan, and the granting of aid for investment related to the combating of pollution.

2.1.143. The Commission decided to terminate the procedure laid down in Article 93(2) of the EEC Treaty in respect of two Italian aid measures:

(i) aid under Act No 887/84 providing for the annual State budget, as a result of information provided by Italy according to

¹ OJ L 364, 23.12.1986.

² OJ L 108, 20.4.1985.

³ OJ L 48, 17.2.1987.

⁴ OJ C 76, 23.3.1987.

⁵ OJ C 295, 21.11.1986; Bull. EC 11-1986, point 2.1.198.

⁶ OJ L 302, 31.12.1972.

⁷ OJ L 51, 20.2.1987.

which the extension to the agricultural and food industry of the granting of medium and long-term low-interest loans on the export of products to non-Community countries had not been adopted and would not be adopted in the future;

(ii) aid under Circular No 21 of the Minister for Agriculture (dated 23 November 1985) implementing Section 2 of Act No 430/75, as the Italian Government has informed the Commission that the conditions laid down in the circular were not met as regards the granting of aid for the export of cattle to non-member countries, that the measure has not been implemented in the past and that it will not be implemented in the future.

2.1.144. The Commission also decided to take no further action in the matter of a French scheme involving a premium to producers of suckler calves, as the scheme had been discontinued.

2.1.145. The Commission decided to terminate the Article 93(2) procedure in respect of an Italian regional aid scheme under Abruzzi's Regional Act No 25 of 11 April 1985 further amending Regional Act No 31 of 3 June 1982 in respect of refinancing (Section 20 of the Act) for the granting of low-interest loans for five years for the purchase of male breeding poultry.

2.1.146. The Commission decided to address a negative decision to the Italian Government with regard to the refinancing, with changes, for 1986/87 (under Section 66 of Regional Act No 31/82) of an operating aid for the purchase of cattle feed produced in the region.

Forestry

2.1.147. On 20 February the Commission adopted two Regulations¹ laying down rules for applying the Council Regulations of 17 November 1986 on the protection of the Community's forests against atmospheric pollution (acid rain) and fire.² The

Regulations include forms to be completed by the bodies which wish to obtain Community financial support for programmes and projects for the first year of application of the Community measure (1987), including the part to be completed by the national authorities.

European Agricultural Guidance and Guarantee Fund

Guarantee Section

2.1.148. The EAGGF Guarantee Section finances, on the basis of a standard rate of interest of 7%, the interest on national funds used for the public buying-in of agricultural produce. However, on account of the fall in interest rates in Germany and the Netherlands, the Commission exercised its statutory powers and brought the rate down to 6% for those two Member States.³

2.1.149. Acting under the measures providing for the emergency supply of food-stuffs to persons most in need following the recent cold spell,⁴ the Commission adopted Regulations laying down standard flat rates for the Community for the financing by the Guarantee Section of the costs of free distribution arising out of those measures. The Regulations relate to sugar,⁵ beef⁶ and butter.⁶

Fisheries

Resources

Internal aspects

Community measures

TACs and quotas for 1987

2.1.150. On 16 February the Council, acting on a proposal from the Commission,⁷

¹ OJ L 53, 21.2.1987.

² OJ L 326, 21.11.1986; Bull. EC 11-1986, point 2.1.203.

³ OJ L 32, 3.2.1987.

⁴ Bull. EC 1-1987, point 2.1.85.

⁵ OJ L 36, 7.2.1987.

⁶ OJ L 57, 27.2.1987.

⁷ Bull. EC 1-1987, point 2.1.115.

adopted 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.¹

Control measures

2.1.151. On 18 February the Commission adopted a Regulation establishing detailed rules for remedying the prejudice caused on the halting of certain fisheries.² This Regulation lays down compensation arrangements to apply where fishing of a stock is halted because the share available to the Community is exhausted but a Member State has been unable to fish its quota on account of overfishing by some other Member States.

Technical measures

2.1.152. On 6 February the Commission adopted a Regulation establishing temporary limits on landings of sole from the North Sea.³

Prohibition measures

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

- vessels flying the flag of the Netherlands from fishing for cod, whiting, plaice and sole in ICES division VII a, for whiting in subarea VII (excluding VII a), for plaice and sole in ICES divisions VII h, j and k, for hake in ICES division V b (EC zone) and subareas VI, VII, XII and XIV and for cod in ICES subareas VII (excluding VII a), VIII, IX and X and in CECAF division 34.1.1 with effect from 1 January 1987.⁴

National measures

Implementation of Community rules

2.1.154. On 6 February the Commission took note of two Belgian Royal Decrees

laying down conservation and management measures for stocks of plaice and cod respectively. The Commission found these Decrees to be compatible with Article 5(2) of Regulation (EEC) No 170/83.⁵

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

- (i) on 6 February, an Irish order prohibiting with effect from 7 September 1986 the fishing, landing or transshipment of herring to Irish fishing vessels operating in the Irish Sea between the latitudes 55°N and 52°30'N; the Commission noted that the Irish measure had been taken pursuant to Article 10(2) of the Regulation of 29 June 1982,⁶ as amended by the Regulation of 20 December 1985;⁷
- (ii) on 10 February, two United Kingdom measures, namely an order implementing in British waters with effect from 18 February 1986 certain provisions laid down by the Community Regulations on TACs and quotas for 1986 and an Order implementing with effect from January 1987 certain provisions of the Regulation of 7 October 1986 laying down certain technical measures for the conservation of fishery resources.⁸

External aspects

Bilateral relations

Senegal

2.1.156. On 23 February the Council, acting on a proposal from the Commission,⁹ adopted a Regulation¹⁰ on the conclusion of the Protocol establishing the fishing

¹ OJ L 51, 20.2.1987.

² OJ L 50, 19.2.1987.

³ OJ L 36, 7.2.1987.

⁴ OJ L 35, 6.2.1987.

⁵ OJ L 24, 27.1.1983.

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

⁷ OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.185.

⁸ OJ L 288, 11.10.1986; Bull. EC 10-1986, point 2.1.174.

⁹ OJ C 292, 18.11.1986; Bull. EC 11-1986, point 2.1.212.

¹⁰ OJ L 57, 27.2.1987.

rights and the financial compensation provided for in the Agreement between the Community and the Government of the Republic of Senegal¹ on fishing off the coast of Senegal for the period from 1 October 1986 to 28 February 1988.

Gambia

2.1.157. On 9 February the Commission sent to the Council a proposal for a Regulation concerning the conclusion of an Agreement between the Community and the Government of the Republic of Gambia on fishing off the coast of Gambia and laying down provisions for the application of the Agreement.²

The Agreement was initialled in Brussels on 11 November 1986.³

Mauritania

2.1.158. The Community and Mauritania held exploratory talks on fisheries in Nouakchott on 24 and 25 February. The purpose of these talks was to resume the dialogue⁴ on a fisheries agreement and to prepare the way for the formal negotiations scheduled to be held in Brussels from 4 to 6 May.

Multilateral relations

Northwest Atlantic Fisheries Organization

2.1.159. The Commission took part in the NAFO Scientific Council's special session on shrimps, held in Copenhagen from 28 January to 3 February.

International Baltic Sea Fishery Commission

2.1.160. An *Ad hoc* Working Group on Baltic Salmon, set up by the International Baltic Sea Fishery Commission, met in Warsaw from 16 to 19 February to prepare IBSFC recommendations on improved man-

agement measures for Baltic salmon, such as quantitative restrictions of catches from wild stocks, technical measures for the reduction of the catch level as well as closed seasons and areas, aiming at the protection of spawning grounds and young fish.

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2.1.161. Parliament adopted resolutions in February on Community fisheries agreements with non-member countries and with developing countries (→ point 2.4.11).⁵

Markets and structures

Market organization

2.1.162. On 20 February Parliament adopted two resolutions on the common organization of the market in fishery products (→ point 2.4.11).⁵

Structures

State aids

2.1.163. The Commission, having reached a final decision within the meaning of Article 93(2) of the EEC Treaty, found the following State aids to be incompatible with the common market:

(i) aid in the form of the combined purchase and leasing, by the Lower Saxony regional authorities, of the Seeadler factory in Cuxhaven, Germany, which manufactures preserved and prepared fish products. The purchase price was DM 30 million (including DM 5 million for repairs and modernization), while the rent amounts to DM 500 000 per year and is payable by the company which sold the premises. The

¹ OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.197.

² OJ C 42, 20.2.1987; COM(87) 45 final.

³ Bull. EC 11-1986, point 2.1.213.

⁴ Bull. EC 1-1987, point 2.1.119.

⁵ OJ C 76, 23.3.1987.

Commission took the view that, given the very favourable terms of the contract, this combined operation constituted a State aid which placed no real reciprocal obligation on the beneficiary and which would have a direct impact on competition and trade;

(ii) aid granted by the Sicilian regional authorities in Italy to fishermen or ship-owners in the form of a standard premium of LIT 370 000 to 400 000/grt¹ per vessel for 1983 and 1984 and a daily laying-up premium for fishing vessels in 1985, 1986 and 1987. The Commission took the view that the aid per grt was a direct cash subsidy to the beneficiaries with an immediate effect on their production costs. The laying-up premium, although granted pursuant to Directive 83/515/EEC of 4 October 1983,² neither met the requirements of the Directive nor satisfied the conditions laid down for such payments under the guidelines for State aids in the fisheries sector, given the terms on which it was granted and the basis on which it was calculated; thus, the daily laying-up premium also constitutes a cash subsidy to the beneficiaries, with a direct impact on competition.

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2.1.164. On 20 February Parliament adopted three resolutions concerning the assessment and management of fish stocks, Mediterranean fisheries and the protection and management of salmon stocks in the North Atlantic (→ point 2.4.11).³

Transport

Inland transport

Road transport

Market observation

2.1.165. On 4 February the Commission sent to the Council its second report on

the collection of information concerning the activities of road hauliers participating in the carriage of goods to and from certain non-member countries.⁴ The total volume of road traffic between the Community and State-trading countries amounts to only 6.5% of international traffic between Member States. However, the average annual growth rate of east-west traffic (10%) is higher than that of Community international traffic (3.7%).

Technical aspects

Road safety

2.1.166. The official closing ceremony of European Road Safety Year (1986),⁵ organized jointly by the Council and the Commission, took place on 16 February in Brussels. The year was meant to be a point of departure, a period in which public opinion was to be made aware of the problems surrounding road safety. The Commission intends to pursue its initiatives to improve road safety in the Member States on a number of scores and to harmonize rules and regulations.

Roadworthiness tests

2.1.167. On 20 February Parliament delivered an opinion³ on the Commission proposal for an amendment⁶ to the Council Directive of 29 December 1976 on the approximation of the laws of the Member States relating to roadworthiness tests for motor vehicles and their trailers.⁷ It stressed the importance of this proposal, which aims to extend roadworthiness tests to private vehicles and in particular to passenger cars, light goods vehicles and motor bicycles. It considered the proposal timely

¹ Gross register tonne.

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

³ OJ C 76, 23.3.1987.

⁴ COM(87) 32 final.

⁵ OJ C 341, 21.12.1984; Bull. EC 12-1984, point 2.1.201.

⁶ OJ L 47, 18.2.1977.

⁷ OJ C 133, 31.5.1986; Bull. EC 4-1986, point 2.1.151.

and necessary since, in addition to allowing standard rules to be applied throughout the Community, it will help to improve road safety, protect the environment and promote energy saving. Parliament pointed out that the introduction of compulsory roadworthiness testing can bring about job creation in the automobile industry and shared the Commission's view that roadworthiness testing may be delegated to approved specialized workshops. It recommended that roadworthiness tests be harmonized and technically compatible as between Member States, and automatically recognized in each Member State in cases where vehicles are reregistered abroad.

Social conditions

2.1.168. The Luxembourg Government consulted the Commission on measures it plans to introduce to give effect to the Council Regulations of 20 December 1985 on the harmonization of certain social legislation relating to road transport and on the introduction of recording equipment in road transport.¹

Since these measures appear to be consistent with the Community regulations in question, no objections were raised by the Commission, which consequently delivered a favourable opinion.

Access to the market

2.1.169. On 19 February the Commission adopted a proposal for a Regulation, to be transmitted to the Council, laying down the conditions under which non-resident carriers may operate national road passenger transport services within a Member State.² This proposal aims to apply the principle of freedom to provide services in the field of national road passenger transport. It is thus in response to the Court judgment of 22 May 1985 regarding the common transport policy³ and the Commission White Paper on completing the internal market.⁴

In terms of content this proposal is along the same lines as the proposals concerning

'cabotage' in road haulage services⁵ and inland waterway transport,⁶ which have already been sent to the Council.

2.1.170. The Commission adopted on 25 February a proposal for a Regulation, to be transmitted to the Council, on common rules for the international carriage of passengers by coach and bus.⁷ The proposal has two objectives:

- (i) implementation of the principle of freedom to provide services in international transport;
- (ii) simplification of certain administrative procedures set up under existing Community laws.

Railways

2.1.171. At its February session the Economic and Social Committee delivered an own-initiative opinion on stocktaking and prospects for a Community rail policy (→ point 2.4.21).

Air transport

2.1.172. The Economic and Social Committee delivered, on 25 February, an opinion on the proposal for an amendment of the Council Directive concerning the authorization of scheduled inter-regional air services for the transport of passengers, mail and cargo between Member States (→ point 2.4.29).⁸

Multimodal transport

2.1.173. The Agreement on the international road-rail combined carriage of

¹ OJ L 370, 31.12.1985; Bull. EC 12-1985, point 2.1.214.

² OJ C 77, 24.3.1987; COM(87) 31.

³ Case 13/83: OJ C 49, 19.2.1983; Bull. EC 5-1985, point 1.1.1 *et seq.*; Bull. EC 9-1985, point 3.4.1.

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

⁵ OJ C 349, 31.12.1985; Bull. EC 11-1985, point 2.1.166.

⁶ OJ C 331, 20.12.1985, Bull. EC 11-1985, point 2.1.166.

⁷ COM(87) 79.

⁸ OJ C 240, 24.9.1986; Bull. EC 7/8-1986, point 2.1.213.

goods (ATC) between the Community and certain non-member countries was initialled in Brussels on 24 February.

This Agreement, which aims at promoting combined transport through the liberalization of all authorizations and quota restrictions for initial and terminal road haulage operations, will also help to improve road safety and to protect the environment.

Negotiations began at the end of 1983 on the initiative of the Community and have been concluded by the Community along with Finland, Norway, Sweden, Switzerland and Yugoslavia. Austria, which had participated in the negotiations, ultimately refrained from initialling the Agreement.

Nuclear safety

Radiation protection

Basic standards

2.1.174. On 27 February, acting on a proposal from the Commission,¹ the Council extended² once more, until 31 October, the Regulation which it had adopted on 30 May 1986³ on the conditions governing imports of agricultural products originating in third countries following the accident at the Chernobyl nuclear power station.⁴

2.1.175. After examining the Commission communication — and the accompanying proposal for a general Regulation based on

Article 31 of the Euratom Treaty — relating to permanent arrangements laying down maximum permissible radioactive-contamination levels for drinking water and agricultural products in the event of a nuclear accident,⁵ the Council reiterated its general agreement on the need for the implementation of such a system.

At the same time, the Council pointed out that, as a prelude to the establishment of permanent arrangements, more work was necessary with a view to evolving the broadest possible scientific basis. The Council also noted that, as a result of a Commission initiative, a scientific symposium would be taking place in Luxembourg in April.

The Commission was called upon to transmit a formal proposal to the Council after the symposium, before 20 June, so as to enable the Council to adopt without delay the permanent protection arrangements that it would like to see established.

2.1.176. On 25 February the Economic and Social Committee adopted an opinion on a draft proposal for a Council Decision on a Community system of rapid exchange of information in cases of unusually high levels of radioactivity or of a nuclear accident⁶ (→ point 2.4.30).

¹ Bull. EC 1-1987, point 2.1.126.

² OJ L 58, 28.2.1987.

³ 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 2.1.160.

⁴ Bull. EC 5-1986, point 1.1.1 *et seq.*

⁵ Bull. EC 1-1987, point 2.1.127.

⁶ OJ C 237, 19.9.1986; Bull. EC 7/8-1986, points 2.1.220 and 2.1.231.

2. External relations

New round of multilateral trade relations

Start of negotiations

2.2.1. A start has been made on the substantive work of the Uruguay Round of negotiations. The organization of the work was completed in February¹ and six of the 14 negotiating groups working on trade in goods held their inaugural meetings. They dealt with the following topics: tariffs, non-tariff measures, natural resource-based products, textiles and clothing, agriculture and tropical products. The Surveillance Body set up to counter protectionism (standstill and rollback) also met for the first time to organize its work.

Commercial policy

Implementing the common commercial policy

Commercial policy instruments

Amendment of the anti-dumping Regulation

2.2.2. On 23 February the Commission sent to the Council a proposal² for amending the Council Regulation of 23 July 1984 on protection against dumped or subsidized imports from countries not members of the Community.³

This proposal follows the observation that where an anti-dumping duty was imposed on imports of a finished product from a non-member country, the duty could be avoided by importing separately the necessary parts and assembling them in the Community. The Commission therefore pro-

poses the addition of certain conditions in order that an anti-dumping duty may be applied to a product assembled in the Community.

The proposed amendments are not aimed at any one country in particular, nor are they intended to discourage foreign investment in the Community; their purpose is to avoid circumvention of the Community's anti-dumping rules, which constitute a legitimate means of defence in accordance with the GATT.

Easing of restrictive measures

2.2.3. Under the Council Regulation of 14 November 1983 on import arrangements for products originating in State-trading countries, not liberalized at Community level,⁴ the Commission opened the following quotas:

Community—People's Republic of China: various agricultural and industrial products;

Spain—Soviet Union: motor vehicles for the transport of persons, goods or materials (including sports motor vehicles, other than those of heading No 87.09) (CCT heading No 87.02).⁵

Trade protection

Safeguard measures

United Kingdom—Soviet Union/German Democratic Republic

2.2.4. The release for free circulation in the United Kingdom of urea (CCT subhead-

¹ Bull. EC 1-1987, point 2.2.1; Bull. EC 11-1986, point 2.2.1, Bull. EC 10-1986, point 2.2.1

² OJ C 67, 14.3.1987; COM(87) 57 final.

³ OJ L 201, 30.7.1984; Bull. EC 7/8-1984, point 2.2.7.

⁴ OJ L 346, 8.12.1983.

⁵ OJ C 42, 20.2.1987.

ing 31.02 B, or ex C) originating in the Soviet Union or the German Democratic Republic was made subject to quantitative restrictions until 31 December 1987.

The United Kingdom opening the following import quotas for these two countries for

1987: Soviet Union 30 000 tonnes, German Democratic Republic 25 000 tonnes.

*

2.2.5. Other trade protection measures taken in February are shown in Table 11.

Table 11 — *Trade protection measures*

Council	Commission
Anti-dumping proceedings	Anti-dumping proceedings
<i>Definitive anti-dumping duty on imports of:</i>	<i>Notice of initiation of an anti-dumping proceeding concerning imports of:</i>
Housed bearing units originating in Japan OJ L 35, 6.2.1987 (provisional duty: OJ L 221, 7.8.1986; OJ L 339, 2.12.1986)	Mercury originating in the Soviet Union OJ C 53, 28.2.1987
Plain-paper photocopiers originating in Japan OJ L 54, 24.2.1987 (provisional duty: OJ L 239, 26.8.1986; OJ L 359, 19.12.1986)	<i>Notice relating to the anti-dumping proceeding concerning imports of:</i>
<i>Amendment of Regulation imposing a definitive anti-dumping duty on imports of:</i>	Urea originating in Czechoslovakia, the German Democratic Republic, Kuwait, Libya, Saudi Arabia, the Soviet Union, Trinidad and Tobago or Yugoslavia OJ C 34, 12.2.1987 (notice of initiation of proceeding: OJ C 254, 11.10.1986)
Electronic typewriters originating in Japan OJ L 56, 26.2.1987 (definitive duty: OJ L 163, 22.6.1985; preceding amendment: OJ L 187, 9.7.1986)	<i>Acceptance of the undertaking</i> given by Kyocera Corporation in connection with the anti-dumping proceeding concerning imports of plain-paper photocopiers originating in Japan, and termination of the investigation OJ L 54, 24.2.1987 (imposition of provisional duty: OJ L 239, 26.8.1986)
<i>Acceptance of undertakings and termination of the investigation regarding imports of:</i>	Surveillance measures
Paint, distemper, varnish and similar brushes originating in the People's Republic of China OJ L 46, 14.2.1987	Introduction of retrospective Community surveillance of imports of urea originating in non-member countries OJ L 42, 12.2.1987
Binder and baler twine originating in Brazil or Mexico OJ L 34, 5.2.1987.	

Export credits

2.2.6. On 9 February the Council approved the terms of an agreement *ad referendum* reached by participants in the

OECD Arrangement on Export Credits (the 'Consensus') in January on measures to increase discipline and transparency in the field of tied aid credits. These measures include an increase in the minimum per-

missible grant element from 25% to 35% in two stages on 1 July 1987 and 1 July 1988 and a change in the method of calculation.

Participants in the Arrangement are to inform the OECD Secretariat by 15 March whether they accept the new measures.

Individual sectors ¹

Textiles

Agreements and arrangements with non-member countries

MFA countries

2.2.7. On 5 and 6 February consultations took place in New Delhi between Commission representatives and an Indian delegation on problems concerning the application of the EEC-India bilateral textile agreement. The consultations will resume in Brussels at the beginning of March.

2.2.8. Consultations between the Commission and a Thai delegation took place in Bangkok from 20 to 23 February with a view to finding a solution regarding exports of cotton yarn from Thailand to the Italian market. The two sides agreed upon an arrangement limiting these exports during the period 1987-91, under the provisions of the EEC-Thailand bilateral textile agreement.

Relations with industrialized countries

United States

Dispute over citrus fruit and pasta

2.2.9. The Agreement on Mediterranean preferences, citrus fruit and pasta concluded between the Community and the United States on 27 October last year ² was signed on 24 February by Mr Willy De Clercq in

Brussels on behalf of the Community and by Mr Clayton Yeutter in Washington for the Government of the United States. ³

Dispute over the effects of enlargement

2.2.10. On 19 February Parliament adopted a resolution ⁴ on the Agreement between the Community and the United States, concluded on 29 January, ending the dispute over the effects of enlargement. ⁵ It noted that the Agreement did not affect the Community's interpretation of Article XXIV:6 of the GATT, deplored the threatening attitude adopted by the United States during the negotiations and refused to countenance the United States' attempt to make the Community pay for the consequences of US economic and fiscal policy. It remarked that the Agreement would result in a further weakening in the negotiations on other matters. It called on the Council and the Commission to adopt a firmer line in future talks with the United States and resist any further pressure aimed at jeopardizing projects of vital interest to the Community such as the European Airbus.

Japan

2.2.11. In the week of 16 to 23 February a Commission delegation visited Tokyo for meetings with the Japanese authorities with a view to opening negotiations on problems in the motor manufacturing and medical equipment industries, notably concerning standards and certification and, in the case of motor vehicles, tax and insurance. The discussions also brought progress on setting up an industrial cooperation centre in Tokyo.

As regards the building of the new Kansai international airport, the Commission delegation had talks with the relevant government departments in Tokyo and also with

¹ For iron and steel products, see points 2.1.26 to 2.1.29.

² Bull. EC 10-1986, point 2.2.10; Bull. EC 11-1986, point 2.2.8.

³ OJ L 62, 5.3.1987.

⁴ OJ C 76, 23.3.1987.

⁵ Bull. EC 1-1987, points 1.2.1 and 1.2.2.

the Vice-Governor of the Osaka prefecture and the Kansai International Airport Corporation, which is responsible for the project. The delegation broached the matter of participation by European firms in the project and urged that they be allowed to tender on the same footing as Japanese firms.

Iceland

2.2.12. Iceland's Minister for Foreign Affairs, Mr Matthías A. Matthiesen, had a meeting with Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy, on 26 February. Mr Matthiesen emphasized the importance his country attached to cooperation with the Community as regards both the completion of the internal market and other areas such as science and technology and the environment. He expressed concern about the Commission's proposal to tax oils and fats (→ point 1.2.14). He thought such a tax would discriminate against fish oil imports from Iceland. The *ad valorem* impact of the tax on these oils was much greater than on vegetable oils of much greater value.

The Icelandic delegation also called for the introduction as soon as possible of an additional unilateral quota of 40 000 tonnes of dry salt cod for 1987. These two problems needed to be resolved in the interests of maintaining the otherwise excellent relations between the Community and Iceland.

Relations with other countries and regions

Mediterranean countries

Jordan

2.2.13. Mr Taher Al Masri, Jordan's Foreign Minister, visited the Commission on 20 February. He had talks with Mr Cheysson

concerning bilateral relations and the problems of Community aid in the territories occupied by Israel.

Lebanon

2.2.14. The President of the Republic of Lebanon, Mr Amin Gemayel, visited the Commission on 13 February. He expressed concern at the political and economic situation in his country and hoped that the Community would lend its support to the national recovery plan to fight economic impoverishment.

At Mr Gemayel's request, the Commission approved a grant of 400 000 ECU of special emergency medical aid (→ point 2.2.31).

Countries of the Gulf and the Arabian Peninsula

2.2.15. On 20 February Parliament adopted a resolution on economic and trade relations between the EEC and the countries of the Gulf Cooperation Council (→ point 2.4.11).¹

Latin America

EEC-Latin America dialogue

2.2.16. Demonstrating Europe's sustained interest in efforts to promote economic development and political stabilization in Central America, representatives of the Community and its Member States met ministers from the Central American countries and the Contadora Group countries for a third ministerial conference held in Guatemala City on 9 and 10 February (→ point 1.3.1 *et seq.*).

2.2.17. The Cooperation Agreement between the Community and the countries party to the General Treaty on Central American Economic Integration (Costa Rica, El Salvador, Guatemala, Honduras

¹ OJ C 76, 23.3.1987.

and Nicaragua) and Panama¹ came into force on 1 March.²

Mexico

2.2.18. The EEC-Mexico Joint Committee met in Mexico City on 12 and 13 February. At a seminar held the previous day the Mexican Secretary for Foreign Affairs, Mr Bernardo Sepúlveda, and Mr Cheysson both called for a strengthening of bilateral cooperation. On their return from the conference on Central America in Guatemala City (→ point 1.3.1 *et seq.*), they had discussions in Mexico City on the various problems of the region, and Mr Cheysson was received by the President of Mexico, Mr Miguel de la Madrid.

The Joint Committee's agenda covered the different areas of trade, science, energy and industry in which cooperation is developing between the Community and Mexico. Mexico put forward a number of projects (one in each field) which will be studied by the Community, and subsequently implemented as far as budgetary resources allow. A special subcommittee was also set up to deal with scientific and technical cooperation; it will help draw up cooperation programmes and monitor their implementation.

Peru

2.2.19. On 6 and 7 February Mr Cheysson made an official visit to Peru, during which he met the President, Mr Alan García Pérez, and several members of the government. The discussions covered bilateral issues, in particular Peru's external debt, developments in the Contadora process, and relations between the Community and the Andean Pact.

State-trading countries

Hungary

2.2.20. Mr Jozsef Marjai, Deputy Prime Minister of Hungary, visited the Com-

mission on 11 February. During this first official visit by a member of the Hungarian Government to a Community institution, Mr Marjai had talks with Mr Delors, Mr De Clercq and Lord Cockfield, dealing mainly with the normalization of EEC-Hungary relations and the prospects for negotiating a trade and cooperation agreement in the near future.

Hungary is the only country to which the Commission has offered a trade and economic cooperation agreement from the outset³ (the other such agreement, with Romania, was the culmination of a long period of contractual relations).

The proposed agreement, which would provide for the gradual elimination of all quantitative restrictions, represents a practical acknowledgement by the Commission of Hungary's moves towards a market economy.

2.2.21. On 16 February the Council, on the basis of a Commission statement, reviewed progress on the brief for the negotiations with Hungary, and instructed the Permanent Representatives Committee to continue examining the question.

Development

North-South relations

2.2.22. Speaking in the parliamentary debate on North-South relations, Mr Cheysson expressed grave concern at the exacerbation of world economic problems, particularly the plight of the Third World. Mr Natali for his part reported to Parliament on recent achievements of the Community's development policy as they related to various resolutions being debated: the campaign against hunger, refugees, NGOs, fishery agreements and desertification. This

¹ OJ L 172, 30.6.1986; Bull. EC 11-1985, point 1.2.1 *et seq.*

² OJ L 58, 28.2.1987.

³ Bull. EC 10-1986, point 2.2.29.

was followed by a discussion, the first of its kind, between two three-member teams representing North and South respectively, and including Mr Cheysson and General Obasanjo, a former President of Nigeria. The two sides agreed on the need to make the European public more aware of the problems of the Third World, and on the close links between Europe's future prospects and those of the southern hemisphere ('a common future or no future').

Following the debate, Parliament adopted 10 resolutions concerning: North-South cooperation, developing-country debt, the Community's relations with developing countries in the field of trade and commodities, the coordination of aid, the campaign against hunger and desertification, fishing agreements with developing countries, NGOs and refugees (→ point 2.4.11).¹

Cooperation in international forums

United Nations Conference on Trade and Development

2.2.23. The seventh Unctad conference, due to take place in Geneva from 9 to 31 July, will be the major event in North-South economic relations in 1987. The main themes for Unctad VII touch on all the important issues in the dialogue between the developed and developing countries: resources for development, commodities, international trade and the problems of the least-developed countries.

The Community intends to take an active role in the Conference, and on 13 February the Commission sent a communication to the Council containing a preliminary political assessment and work programme, and setting out its views on the part Unctad could usefully play in the North-South debate.²

At the invitation of the Unctad Secretariat the Commission participated in two seminars: one, held in Warsaw from 9 to 11 February, on trade questions, and the other, which took place in Bonn from 18 to 20

February, on the overall assessment of Unctad.

ACP-EEC Convention

Lomé III programming

2.2.24. A Commission-EIB team visited Uganda from 28 January to 3 February for programming talks. The officials were received by President Yoweri Museveni, the Prime Minister, Dr Kisekka, and the Minister for Finance, Dr Kiyonga. They were able to see projects under way in the capital, Kampala, and in the west of the country. Uganda is to receive 125 million ECU, 112 million ECU in grant form plus 13 million ECU in the form of risk capital managed by the EIB.

Under the indicative programme, 80% of the money will be used for agricultural and rural development and the rehabilitation of economic and social infrastructure. Makerere University may also receive funds for projects outside these 'focal sectors'. During the discussions, emphasis was placed on the importance of regional cooperation for a landlocked country like Uganda. Programme selection will be guided by two criteria: sustainability and speed of commitment. This means that although Uganda was one of the last countries to be programmed, the careful preparatory work which has already been done should enable it to catch up in the course of the year.

Generalized tariff preferences

Proposed scheme for 1988

2.2.25. On 24 February the Commission sent the Council a communication concerning preparation of the scheme of generalized preferences for 1988, explaining why, in the light of various constraints, it will be bringing forward the transmission to the

¹ OJ C 76, 23.3.1987.

² Bull. EC 1-1987, point 2.2.25.

Council of the proposals for the 1988 scheme.¹ Among the specific constraints is the planned introduction on 1 January 1988 of the Community's new integrated customs tariff, Taric, incorporating the Harmonized Commodity Description and Coding System. The normal constraints applying to each financial year are such that in any event the date on which the Council adopts the GSP regulations should be brought forward.

Information seminars

2.2.26. In February the Commission arranged three seminars on the Community's generalized preferences, for the benefit of the least-developed countries of the Indian subcontinent. A team of experts from the Commission visited Bangladesh, holding seminars in Dhaka (3 February) and Chittagong (5 February), and going on to Nepal, where a seminar took place on 9 February in Katmandu. The informal working sessions provided an opportunity to study specific problems, but otherwise a similar agenda was covered at each seminar, setting out the underlying principles and detailed provisions of the various regulations, with particular emphasis on the rules of origin. Each seminar attracted some 50 or 60 participants, mainly leading local businessmen, but also including officials dealing with trade, export promotion and the issue of origin certificates. At the seminar in Katmandu, a number of Bhutan nationals were also present.

Campaign against hunger in the world

Food aid

Reform of food aid policy and management

2.2.27. On 12 February the Commission sent the Council a proposal² for a Regulation laying down implementing rules for

the Regulation of 22 December 1986 on food aid policy and food aid management.³

Food Aid Convention

2.2.28. On 9 February the Council adopted a Regulation⁴ based on a Commission proposal⁵ on the apportionment of the quantities of cereals provided for under the 1986 Food Aid Convention.⁶

Locust control in Africa

2.2.29. In February the Commission approved aid totalling 990 000 ECU under Lomé III, a contribution to the FAO-sponsored international plan of action⁷ to control the proliferation of locusts and grasshoppers in Africa. The money will be used to finance the first stage of the campaign, involving the purchase of pesticides and technical assistance. The aid is allocated to the following countries: Niger — 195 000 ECU; Nigeria — 180 000 ECU; Chad — 150 000 ECU; Mali — 210 000 ECU; and Burkina Faso — 155 000 ECU.

Emergency aid

Peru

2.2.30. In the aftermath of the torrential rain which caused rivers in the Villa Rica and Oxapampa area of Peru to burst their banks, leaving 40 dead, 500 missing and 400 houses destroyed, and damaging 80% of the industrial zone, the Commission gave its approval on 10 February for an emergency aid allocation of 50 000 ECU to help victims. The aid will be used to provide essential items for the worst-hit families and will be administered by the Commission

¹ COM(87) 68 final.

² OJ C 55, 3.3.1987; COM(87) 48 final.

³ OJ L 370, 30.12.1986; Bull. EC 12-1986, point 2.2.31.

⁴ OJ L 42, 12.2.1987.

⁵ OJ C 154, 20.6.1986; Bull. EC 6-1986, point 2.2.47.

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

⁷ Bull. EC 12-1986, point 2.2.33.

Delegation in South America, in liaison with the authorities there.

Lebanon

2.2.31. In response to the continuing unrest in Lebanon, which has caused hundreds of deaths and displaced or otherwise affected a considerable proportion of the population, the Commission decided on 12 February to provide 500 000 ECU of emergency aid to pay for medical supplies, food, transport costs and personnel. 280 000 ECU of the aid will be administered by the World Council of Churches and the remaining 220 000 ECU by Médecins sans Frontières — Belgique. Lebanon was allocated a similar sum in December,¹ via the International Committee of the Red Cross.

On 19 February, following an appeal from the Lebanese Government, the Commission approved a further 400 000 ECU emergency aid allocation to be used for the supply, by sea and air, of badly needed medicines (→ point 2.2.14).

Stabex

Non-Lomé least-developed countries

2.2.32. On 9 February the Council adopted two Regulations,² the first setting

up and the second laying down implementing rules for a system to compensate least-developed countries which are not signatories to the Lomé Convention³ for losses of export earnings. It had earlier⁴ approved the substance of the two proposals. The system covers the period 1986-90; the first transfers will be made in 1987, on the basis of the 1986 statistics. It is estimated that the system will cost 50 million ECU for the five years.

Financial and technical cooperation

ACP States

2.2.33. In February the Commission allocated resources totalling 38 265 000 ECU from the fifth and sixth EDFs to finance projects, programmes and emergency aid which it administers (Table 12).

¹ Bull. EC 12-1986, point 2.2.34.

² OJ L 43, 13.2.1987.

³ Bangladesh, Bhutan, Haiti, Laos, Maldives, Nepal, North Yemen and Yemen.

⁴ Bull. EC 1-1987, point 2.2.33.

Table 12 — *Financing of fifth and sixth EDF operations*

Sector/Country	Project	million ECU	
		Grants	Loans
<i>Economic infrastructure</i>			
Benin	Repair of roads	3.800	
Ghana	Modernization of Takoradi port facilities	6.900	
<i>Rural economy</i>			
Sudan	Agriculture	15.800	
Gabon	Forestry	6.000	
Côte d'Ivoire	Agriforestry research — afforestation	0.475	
<i>Social development</i>			
Mauritania	Hospital extension	1.450	
<i>Emergency aid</i>			
Mozambique	Contribution to the relief programmes of various agencies	2.500	

Sector/Country	Project	Grants	Loans
Nigeria	Locust control programme	0.180	
Burkina Faso		0.155	
Mali		0.210	
Niger		0.295	
Chad		0.150	
Vanuatu	Dealing with the consequences of Cyclone Uma	0.100	
Madagascar	Drought relief in south of country	0.250	
Total		38.265	

Regional cooperation

ACP States

SADCC Conference

2.2.34. Mr Natali was at the SADCC 1987 Consultative Conference in Gaborone, Botswana, on 5 and 6 February.¹ Addressing the Conference, he recalled that the Community and its Member States had played a part in international efforts to eliminate the main cause of instability and violence in southern Africa, namely the apartheid system, and to mitigate some of the effects within South Africa and the neighbouring countries, members of the SADCC. He noted that in 1985 the Community adopted initial measures² designed to spell out to the South African authorities its strong feelings regarding the pressing need for fundamental — and indeed inescapable — change. In particular, 10 million ECU in the 1986 budget was earmarked as aid for apartheid victims.³ This money had been channelled through non-governmental and non-violent organizations to finance humanitarian projects in South Africa and Namibia. The amount earmarked for 1987 was double, 20 million ECU.

Mr Natali said that the regional programme signed in Harare in January 1987 reflected the SADCC's immediate priorities: transport, food security and training. He noted

that some of the possibilities provided for in the Convention had been incorporated in the indicative programmes concluded with each of the nine SADCC member States and in the regional programme which guaranteed SADCC members a minimum of 886 million ECU over the next four years for credit lines, studies, technical assistance, vocational training, etc. Non-programmable resources could also be made available in response to particular circumstances, an example being the special financing facility for the mining industry (Sysmin). Another source of support under the Lomé Convention was the European Investment Bank, which put up capital for productive projects in industry, agro-industry and mining and related sectors.

Indian Ocean Commission

2.2.35. A ministerial session of the Indian Ocean Commission, preceded by a meeting of officials, took place from 3 to 10 February. It was attended by the Foreign Ministers of four member countries, Comoros, Madagascar, Mauritius and Seychelles, and

¹ The Southern Africa Development Coordination Conference, whose members are: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

² Bull. EC 9-1985, point 2.5.1; Bull. EC 11-1985, point 2.5.2.

³ Bull. EC 7/8-1986, point 2.2.43; Bull. EC 11-1986, point 2.2.40; Bull. EC 1-1987, point 2.2.32.

the prefect of Réunion, representing France, the fifth member.

A number of sectoral issues — fisheries, new forms of energy, trade and craft industry — were dealt with at regional level, and there was discussion of fundamental regional cooperation issues in the context of Lomé III. Also on the agenda were organizational matters relating to the presidency and secretariat (based in Mauritius), which provide this regional body, set up in 1982, with a genuinely international dimension.

Institutions

ACP States

ACP-EEC Joint Assembly

2.2.36. The ACP-EEC Joint Assembly held its first meeting of the year in Arusha, Tanzania, from 2 to 6 February. It was attended by Mr Natali and Mrs Eugenia Charles, Prime Minister of Dominica and current President of the ACP-EEC Council. The opening address was given by Mr Warioba, Prime Minister of Tanzania.

The 1987 general report on regional cooperation under Lomé was introduced by its author, Mr Hambayi (Zambia) and was subsequently debated by the Assembly. At the Assembly's next session, due to take place in Lisbon at the end of September, a comprehensive resolution will be adopted on the basis of a full report.

Replying to the general rapporteur, Mr Natali recalled the purpose and principles of regional cooperation and reviewed the preliminary results of programming in this field. He also discussed population growth and land-use planning for economic development in ACP countries, and highlighted the burning issue of health care, with particular reference to AIDS, announcing a forthcoming campaign to control its spread (→ point 1.4.1 *et seq.*). Following his speech, he answered numerous questions

from parliamentarians on a variety of topics.

The Joint Assembly went on to give unanimous approval to two important reports, one on women and population in the development process and the other on the debt problems of ACP countries. As the two reports dealt with pressing issues, the Assembly has said it will be carefully monitoring the follow-up to the corresponding resolutions.

There was also a debate on South Africa, which showed up once again the political split between those calling for tougher, more tightly enforced sanctions and those who point to the damage sanctions would cause to the black population.¹ Despite these differences of opinion, however, ACP parliamentarians and most of their European colleagues succeeded in reaching agreement on the text of a resolution.

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Visits

2.2.37. As part of his tour of European capitals, the President of Congo and current chairman of the Organization of African Unity, Mr Sassou Nguesso, visited Brussels on 12 February, where he had talks with Mr Delors and Mr Natali and attended a special meeting of the Commission.

Discussions centred on the implementation of the programme for the economic recovery and development of Africa adopted at the special session of the UN General Assembly in May 1986,² and on the attitude of the international community to the situation in southern Africa. Mr Nguesso and Mr Natali also reviewed EEC-Congo cooperation under the Third Lomé Convention.

2.2.38. Mr Natali paid an official visit to Tanzania from 29 January to 1 February,

¹ OJ C 10, 14.1.1987; Bull. EC 9-1986, point 2.2.40.

² Bull. EC 5-1986, point 2.2.40.

where he met President Julius Nyerere, the Prime Minister, Mr Ali Hassan Mwinyi, and other members of the government. This was followed by an official visit to Zambia on 7 and 8 February, where Mr Natali had talks with President Kenneth Kaunda and members of the government.

International organizations and conferences

United Nations

Food and Agriculture Organization

2.2.39. On 18 February the Commission sent the Council a draft amendment to the FAO constitution that would allow the Community to become a member of the FAO. The Commission proposes that the Council should decide to implement the procedure laid down in the FAO constitution and should authorize the Commission to contact the FAO as necessary for this purpose.

General Agreement on Tariffs and Trade

Council

2.2.40. The GATT Council held one of its regular meetings on 4 February,¹ covering various items connected with the settlement of disputes. In particular, the Council set up a panel to examine the Community's complaint concerning Japan's taxation of wines and other alcoholic beverages, which discriminates against imported products. In its complaint, the Community will of course take account of the measures concerning wines and liqueurs proposed by the Japanese Government in December 1986. As a result of complaints by the Community, Canada and Mexico, a panel was

also set up to examine the United States legislation adopted at the end of 1986, which discriminates against imported products in setting the level of a tax on oil and oil-based chemical products.

Committee on Government Procurement

2.2.41. The GATT Committee on Government Procurement met in Geneva on 12 February. Further negotiating work was examined on the basis of Article IX(6) of the Agreement on Government Procurement.² The Community proposed a solution to the outstanding VAT Panel report which was agreed by the Committee. This solution will consist of a unilateral reduction of 13 % in the threshold relating to the contract value applicable in the Community. The Community will implement this new threshold on the same date as the Protocol amending the Agreement on Government Procurement.

2.2.42. On 9 February the Council adopted the Decision on the conclusion of the Protocol of Accession of Mexico to the General Agreement on Tariffs and Trade.³

Council of Europe

2.2.43. At its winter session from 26 to 30 January,⁴ the Council of Europe's Parliamentary Assembly expressed its resolve to ensure that the proposals of the report drawn up in June 1986 by a Commission of eminent personalities under the chairmanship of Mr Emilio Colombo, on European cooperation up to the end of the century and in particular the Council of Europe's role in the light of the enlargement of the Community, were followed up and progressively implemented.

¹ Bull. EC 6-1986, point 2.2.57.

² Bull. EC 11-1986, point 2.2.54.

³ OJ L 81, 5.3.1987.

⁴ Bull. EC 9-1986, point 2.2.45.

The Assembly also looked at the prospects for European agriculture in the year 2000 and held two emergency debates, on the Iran-Iraq war and on international pollution following the discharges into the Rhine last year.

Conference on Security and Cooperation in Europe

2.2.44. In February the 35 States participating in the Vienna CSCE follow-up meeting tabled about 100 new proposals which will form the basis of negotiations in coming months.¹

The proposals concern security, human rights, economic cooperation, the Mediterranean and human contacts in their various forms.

Up to now, the Member States of the Community have tabled 20 proposals. The most important ones concern the human dimension of the Helsinki Final Act, with the emphasis on human rights, the holding of an economic conference of the participating States after the Vienna meeting and the organization of an information forum with the aim of facilitating the freer and wider dissemination of information of all kinds.

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.

3 February:

HE Mr Rafael Rivas Posada, Head of Mission of the Republic of Colombia to the European Communities; HE Mr Francis Yeo Teng Yang, Head of Mission of the Republic of Singapore to the European Communities;

10 February:

HE Mr Maung Maung Than Tun, Head of Mission of the Socialist Republic of the Union of Burma to the EEC; HE Mr Marcel Odongui-Bonnard, Representative of the Gabonese Republic to the EEC and Head of Mission to the ECSC and Euratom; HE Mr Ambroise Gambouele, Representative of the People's Republic of the Congo to the EEC; HE Mr Abdoulaye Lamana, Representative of the Republic of Chad to the EEC and Head of Mission to the ECSC and Euratom.

¹ Bull. EC 1-1987, point 2.2.42.

3. Financing Community activities

Reform of the Community budget

2.3.1. In its communication 'The Single Act: A new frontier for Europe', adopted on 15 February, the Commission proposed the reform of the Community budget (→ point 1.1.2 *et seq.*). On 27 February it sent the Council and Parliament a report¹ setting out the reasoning behind the solutions put forward in its communication.

Budgets

General budget

Budgetary procedure

1987 budget

Further reading of the draft budget by the Council on the basis of the Commission's letter of amendment

2.3.2. After the Council meeting of Budget Ministers on 16 and 17 January reached deadlock² and in the light of Parliament's resolution of 21 January,³ the Foreign Ministers had recommended at their 26 and 27 January meeting⁴ that the Commission 'make every effort to arrive at a joint position in good time to enable discussions with the European Parliament to be resumed with a view to reaching agreement in February'.

With this in view the Budget Ministers met on 12 and 13 February and, following protracted discussions during which the sitting was suspended several times, in the early hours of 13 February reached a qualified majority agreement based on the Commission's letter of amendment of 9 January.⁵ The Council took the following decisions:

(a) It would act as soon as possible on the Commission proposals to give effect, in legislative and budgetary terms, to the decisions taken by the Council (Agriculture) between 8 and 16 December 1986.⁶

(b) *Compulsory expenditure*: Article 293, to cover the disposal of stocks of certain agricultural products, would receive any surplus appropriations for 1987 (by transfer from headings where savings had been made).

(c) *Non-compulsory expenditure*:

(i) The amounts resulting from the amendments voted by Parliament on 11 December 1986⁷ were added to the budget.

(ii) A negative reserve of 181 121 303 ECU in commitment appropriations and 88 897 871 ECU in payment appropriations was entered in Chapter 100. Parliament would have to authorize in due course the transfers necessary for clearing the reserve. The Commission would provide the budgetary authority with a monthly report on the execution of the budget. It was made clear that this use of the expedient of a negative reserve was acceptable only as an exceptional measure.

Appropriations for 1987 are therefore:

Commitments	Payments
37 414 887 257 ECU	36 313 424 475 ECU
consisting of:	
comp. expenditure:	
27 140 218 163 ECU	27 085 908 163 ECU
non-comp. expenditure:	
10 274 669 094 ECU	9 227 516 312 ECU

¹ COM(87) 101 final.

² Bull. EC 1-1987, point 2.3.2.

³ OJ C 46, 23.2.1987; Bull. EC 1-1987, point 2.3.3.

⁴ Bull. EC 1-1987, point 2.3.4.

⁵ Bull. EC 1-1987, point 2.3.1.

⁶ Bull. EC 12-1986, points 1.2.1 and 1.2.2, 2.1.211 to 2.1.214, 2.1.219 to 2.1.221.

⁷ Bull. EC 12-1986, point 2.3.1.

This gives a rate of increase for non-compulsory expenditure of 8.1% (rounded to one decimal place).

(d) *Carryover of appropriations from 1986 to 1987*: The Council agreed to approve requests to be submitted by the Commission for the carryover from 1986 to 1987 of 22 million ECU of non-differentiated appropriations (non-compulsory expenditure) —‘non-automatic’ carryovers—under Article 6(3) of the Financial Regulation.

These carryovers should provide the Commission this year with additional appropriations for budget headings which are of particular interest in 1987 (after the transfer of certain appropriations entered for 1987).

Adoption of the budget by Parliament

2.3.3. Parliament resumed its work on 16 February following the meeting of its Committee on Budgets, chaired by Mr Pasty, and completed it at its plenary sitting on 19 February. The President of the Council, Mr Verhofstadt, and the Vice-President of the Commission, Mr Henning Christophersen, both insisted that the 1987 budget must be adopted quickly because of the inevitable difficulties caused by the absence of a budget. A motion for a resolution from the Committee on Budgets calling for the situation to be resolved was presented by the rapporteur, Mr Curry.

This motion emphasized the following points:

- (i) an increase in commitment appropriations of 4.7 million ECU, bringing the rate of increase for non-compulsory expenditure to 8.1499%;
- (ii) the advisability of carrying over 22 million ECU in non-differentiated appropriations (non-automatic carryover);
- (iii) adjustment of the wording of Article B 293 in line with Parliament's wishes;
- (iv) certain conditions relating to the operation of the ‘negative reserve’;

(v) the need for work to continue within the dialogue between the two arms of the budgetary authority on the classification of expenditure.

At its plenary sitting on 19 February, Parliament adopted this resolution (→ point 2.4.11),¹ and therefore the 1987 budget, by a very large majority (application of Article 203 of the EEC Treaty):

Votes	347
For	301
Against	41
Abstentions	5

The same day the President of Parliament, Sir Henry Plumb, declared the 1987 budget finally adopted.

2.3.4. In the same resolution, however, Parliament pointed out that the budget which had been presented to it was insufficient to cover the Community's foreseeable needs in 1987 and that it was the Council's duty, under Article 199 of the Treaty, to take the necessary steps to ensure a balance between revenue and expenditure in 1987.¹

Financial operations

ECSC

Loans raised

2.3.5. In February the Commission made a number of private placings in US dollars, marks, Swiss francs and Luxembourg francs for the equivalent of 156.9 million ECU.

Loans paid out

2.3.6. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission paid out

¹ OJ C 76, 23.3.1987.

loans in February for a total of 113.783 million ECU, broken down as follows:

Industrial loans

2.3.7. Industrial loans (Article 54) totalling 87.6 million ECU were paid out to the Federal Republic of Germany for the steel industry, coal consumption and rescheduling a loan.

Conversion loans

2.3.8. Conversion loans (Article 56) totalling 26.1 million ECU were paid out for projects in the United Kingdom, Belgium and covering the entire Community.

Workers' housing

2.3.9. Housebuilding loans for ECSC workers in Italy amounted to 83 000 ECU.

Euratom

Loans raised

2.3.10. The Commission made a bank loan in yen for the equivalent of 26 million ECU.

EEC — Balance of payments¹

Loans raised

2.3.11. The Commission made:

- (i) a USD 250 million six-year public issue at 7.25% with an issue price of 101%;
- (ii) a Yen 25 000 million six-year public issue at 4.75% with an issue price of 101.5%;
- (iii) a DM 300 million five-year and 280-day public issue at $5\frac{3}{8}\%$ with an issue price of 100%;
- (iv) a private placing in marks for the equivalent of 14.5 million ECU.

¹ Bull. EC 12-1986, point 2.1.5. This is the second tranche of the Community loan to Greece approved by the Council in December 1986.

4. Political and institutional matters

Political cooperation

2.4.1. On 4 February the Presidency issued the following statement on the Philippines:

'The 12 countries of the European Community welcome the fact that the referendum has taken place in a most satisfactory manner, and that the outcome has shown the existence of a broad national consensus.

They have complete confidence that under President Corazon Aquino the democratic process which she has initiated will be continued.

The 12 countries of the European Community hope that, with its regained stability, the Republic of the Philippines will now be able to devote itself to its economic recovery, with the cooperation and for the benefit of the entire population. The Twelve are willing, in so far as possible, to contribute actively to that recovery.'

2.4.2. On 16 February, in Brussels for a Council meeting, the Foreign Ministers also discussed political cooperation and issued the following statement on the fate of the civilians in the Palestinian camps in Lebanon:

'Seriously alarmed by the situation inside some of the Palestinian camps in Lebanon, the Twelve endorse the appeal made by the United Nations Security Council on 13 February for a cease-fire around the camps and for the rapid distribution of supplies to the refugees. In a humanitarian spirit and noting recent developments, they strongly urge the parties involved to ensure that the civilian population receive the regular supply of food, clothing and medicine which they need.

In parallel with this appeal, the Twelve have made and will be making the necessary representations to the parties concerned.

The Twelve have taken note of the emergency aid which the Commission has already decided on, in addition to the national measures taken. They confirm the Community's readiness to grant further aid when the conditions for its distribution exist.'

2.4.3. On 23 February the Foreign Ministers held a political cooperation meeting devoted mainly to the Middle East, during which they adopted the statement reproduced below supporting the convening of an international conference. Other items on

the agenda included the following: the Euro-Arab Dialogue (satisfaction with the positive response of the Arab League to the European proposal to hold a 'troika' meeting at ministerial level, willingness to settle on a date); aid to occupied territories; the Iran-Iraq conflict (reiteration of the concern of the Twelve expressed in the statement of 26 January,¹ support for the moves by the UN Secretary-General); relations with the countries of the Gulf Cooperation Council (intention to continue the political dialogue initiated in New York in September 1986); and Lebanon (concern at the tense situation, importance of preserving Lebanon's sovereignty and territorial integrity, importance of humanitarian aid, need to allow Unifil to play its part, call for the release of hostages).

Ministers also formally adopted the sixth report on application of the Code of Conduct on South Africa (→ point 3.4.1.).

Declaration on the Middle East

The Member States of the European Community have particularly important political, historical, geographical, economic, religious, cultural and human links with the countries and peoples of the Middle East. They cannot therefore adopt a passive attitude towards a region which is so close to them nor remain indifferent to the grave problems besetting it. The repercussions of these problems affect the Twelve in many ways.

At the present time, tension and conflict in the Near and Middle East are continuing and worsening. The civilian population is suffering more and more without any prospect of peace. The Twelve would like to reiterate their profound conviction that the search for peace in the Near and Middle East remains a fundamental objective. They are profoundly concerned at the absence of progress in finding a solution to the Israeli-Arab conflict.

¹ Bull. EC 1-1987, point 2.4.1.

Consequently, they have a direct interest in the search for negotiated solutions to bring just, global and lasting peace to the region and good relations between neighbours, and to allow the economic, social and cultural development which has been too long neglected. They have stated the principles on which solutions should be based on several occasions, in particular in their Venice Declaration.

Accordingly, the Twelve would like to state that they are in favour of an international peace conference to be held under the auspices of the United Nations with the participation of the parties concerned and of any party able to make a direct and positive contribution to the restoration and maintenance of peace and to the region's economic and social development. The Twelve believe this conference should provide a suitable framework for the necessary negotiations between the parties directly concerned.

For their part, the Twelve are prepared to play their role with respect to such a conference and will endeavour to make an active contribution both through the President-in-Office and individually to bringing the positions of the parties concerned closer to one another with a view to such a conference being convened. In the mean time, the Twelve would request the parties concerned to avoid any action likely to worsen the situation or complicate and delay the search for peace.

Without prejudging future political solutions, the Twelve wish to see an improvement in the living conditions of the inhabitants of the occupied territories, particularly regarding their economic, social, cultural and administrative affairs. The Community has already decided to grant aid to the Palestinian population of the occupied territories and to allow certain products from those territories preferential access to the Community market.

*

2.4.4. The third Ministerial Conference between the Community and its Member

States and the Central American and Contadora Group countries on political dialogue and economic cooperation between the Community and Central America was held in Guatemala City on 9 and 10 February (→ point 1.3.1 *et seq*).

2.4.5. On 18 and 19 February Parliament adopted a number of resolutions on political cooperation and human rights (→ point 2.4.12).¹

European policy and relations between the institutions

European policy

Prospects for the Community in 1987

2.4.6. In February Mr Delors continued his tour of the capitals of the Member States, which he had begun in January with the aim of heightening government awareness of the problems surrounding the future financing of the Community, the future of the common agricultural policy and the reform of the structural Funds.² On 5 February he arrived in the United Kingdom for a meeting with the Prime Minister, Mrs Margaret Thatcher. This was followed by a working meeting between the President accompanied by several members of the Commission and a number of members of the British Cabinet. The same day, Mr Delors travelled on to Ireland, where he had talks with the Taoiseach, Dr Garret FitzGerald. On 11 February he met Mr Andreas Papandreou, the Greek Prime Minister, as well as several members of the Greek Government. Finally, on 13 February, he visited the Federal Republic of Germany, where he had talks with Chancellor Helmut Kohl. These were followed by a working meeting between the President and several Members of the Commission and

¹ OJ C 76, 23.3.1987.

² Bull. EC 1-1987, point 2.4.3.

the Chancellor and a number of Federal Ministers.

Following this round of talks, the Commission adopted a communication on 15 February entitled 'The Single Act: A new frontier for Europe'.¹ This was immediately transmitted to the Council and discussed at an informal meeting of Foreign Ministers at Val Duchesse on 22 February, at the end of which the following statement was issued by the Presidency:

'1. The Foreign Ministers have noted the Commission communication entitled 'The Single Act: A new frontier for Europe'.

2. They have agreed that the Council will proceed promptly with its examination of this communication and the related proposals with a view to presenting an overall report to the European Council on 29 and 30 June. The President of the General Affairs Council will consult the President of the Agriculture Council and the President of the Economic and Financial Affairs Council in order to ensure the coordination and coherence of the proceedings.

3. The Permanent Representatives Committee has been instructed to prepare the ground for the Council discussions and to produce a preliminary report for the General Affairs Council at the end of April.'

The Commission communication was presented to Parliament by Mr Delors on 18 February, at the same time as the Commission's programme for 1987.

Mr Delors' programme address to the House was followed by a lively debate, which is to be continued during the March part-session. It will conclude with a vote on a motion of confidence in the Commission (→ point 2.4.11).

Institutions and organs of the Communities

Parliament²

Strasbourg: 16 to 20 February

2.4.7. Parliament's proceedings at its February part-session were given wide coverage

by the press, radio and television. President Delors' call for a 'new frontier for Europe' (→ points 2.4.8 and 2.4.9) and the warm response it drew from the House were amplified by the international press and this was regarded as a token of the integration of the Community dimension into the daily lives of Europeans. Likewise, the debate on various facets of development cooperation policy as well as the round-table discussion on the North-South dialogue aroused the interest of journalists, who then played their roles in relaying the message to the European public.

The adoption of the 1987 budget, biotechnology and its repercussions on agriculture and the EEC-US Agreement with the unanimous call to the Commission to take a firmer stance in future discussions with the Americans were also topics of major debates.

The 'grand rendez-vous': two years to make the Single Act work

2.4.8. It was no routine statement on the Commission programme for the coming year! What Mr Delors unveiled to Parliament after his 'tour of the capitals', was a programme of endeavour for the two years remaining to this Commission—a new strategy for what he called *le grand rendez-*

¹ Supplement 1/87 — Bull. EC. This supplement also incorporates the programme address by Mr Delors to Parliament on 18 February and the Commission's programme for 1987.

² The complete texts of the resolutions adopted by Parliament appear in OJ C 76, 23.3.1987 and the reports of the proceedings are contained in OJ Annex 2-348. 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 = Communists and Allies; RDE = European Alliance for Renewal and Democracy; LDR = Liberal and Democratic Reformist Group; 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.

vous: making the Single Act work,¹ making Europe 'a truly common economic area'.

For the Commission the objectives set by the Single Act are six in number: the large market without frontiers; economic and social cohesion (the structural Funds); research and technology; a stronger EMS; the beginnings of a social area; measures for the environment. Mr Delors proposed four ways of attaining these objectives: a common agricultural policy adapted to the new world context; stronger structural Funds (for policies with real economic impact); 'sufficient, stable and guaranteed' own resources; truly effective 'budgetary discipline'.

The Community is indeed now at a standstill, doubly hamstrung by the weight of agricultural surpluses and the ceiling on own resources. For agriculture, the Commission's proposal is to step up the action begun in 1985 with a restrictive prices policy and more selective aid measures, backed by safeguards for family farming. The painful efforts our farmers have had to make to adjust to the new conditions must be matched by equal efforts on the part of our partners: 'let us put our own house in order and then insist that our partners do the same'. In order to enhance the cohesion of the Community, the Commission is proposing that between now and 1992 the financial volume of the structural Funds be doubled in real terms in order to help backward regions catch up and develop. But the main innovation concerns the financing of the Community, for which the Commission is proposing a new resources ceiling calculated no longer in terms of VAT but in terms of Community GNP; the own resources limit until 1992 would be 1.4% of GNP. In addition to customs duties, agricultural levies and VAT revenue (limited to a 1% rate) the Community would receive an additional resource—levied on the difference between GNP and the VAT base used—the aim being, as is indeed the aim of the entire new system of financing, to strike a better balance between a country's prosperity and its contribution to financing the budget. In accordance with the undertakings given at

the Fontainebleau European Council² the Commission is also proposing what he termed a 'green scale' of compensation to take care of the 'British case', based on the real cause of the imbalances, i.e. the disparity between agricultural structures. Finally, turning to budgetary discipline, which he described as an illusion unless Parliament was involved from the outset and the Council stopped taking conflicting decisions, Mr Delors suggested that it be based on a five-year pact (1988-92) between the Council, Parliament and the Commission, which would fix for each year the ceiling of expenditure and the principal budgetary measures. Then, within the budget itself, stabilizers operating strictly, perhaps even automatically, would keep agricultural spending within the overall allocation, while a reserve would be set up alongside to allow for fluctuations in the dollar.

In concluding his programme address Mr Delors announced that the Commission would also be taking two critical steps with an eye to strengthening the base for revitalizing Europe: the first concerned the opening up of public contracts in such areas as energy, transport, water and telecommunications; the second concerns the approximation of VAT rates and excise duties. He also told the House that the Commission was going to embark on new ventures involving the EMS, the social dialogue, television and a people's Europe. It had also pressed the Council to at last adopt the 1987-91 framework programme for research and technological development,³ failing which programmes like Esprit, RACE and Brite would have to stop for want of resources.

Given these new—some of them revolutionary—proposals, Parliament wanted to have some time for thought: it would not be until the March part-session, after debating the matter thoroughly, that the House would

¹ Supplement 2/86 — Bull. EC.

² Bull. EC 6-1984, points 1.1.1 to 1.1.3.

³ OJ C 275, 31.10.1986; Bull. EC 7/8-1986, point 1.2.1 *et seq.*; Bull. EC 3-1986, point 1.1.1 *et seq.*

make known its views, by vote of confidence, on the Commission's President and the Vice-Presidents. The initial reactions of the political groups, however, were by and large favourable.

2.4.9. The debate that followed Mr Delors' programme address proceeded on two levels: general policy involving all that now hung on European integration and, more concretely, on the new guidelines expounded in the address.

On general policy, the great majority of members approved, in some cases a little dramatically, the way in which the immediate issues had been presented: there was substantial endorsement of the tenor of the programme address and considerable agreement on institutional relations. But members reacted differently to the actual guidelines put forward for various policies, concentrating almost exclusively on two major areas—agricultural policy; financing, management and administration.

Among the speakers to welcome the comprehensive nature of the proposals, Mrs Simone Veil (*LDR/F*) was glad that the Commission had seen things so clearly and resolutely. Like her, many speakers—such as Mr Claus Toksvig (*ED/DK*)—highlighted the wholeness and consistency of the Commission's programme, which was courageous though not historic. Mr Rudi Arndt (*S/D*), Mr Sergio ERCINI (*PPE/I*) and Mrs Christiane SCRIVENER (*LDR/F*) all referred to the Commission's frankness and to the realism and innovation of its proposals. Some, however, like Mr Fernando Suárez González (*ED/E*), Mr Christopher Prout (*ED/UK*) and Mr Jean-Claude PASTY (*RDE/F*), appeared to regret the lack of 'tangibles' or too much vagueness. The loudest noes came either from speakers who challenged European integration *per se*—like the Communists Dimitrios Adamou (*GR*) and Luis Baillot (*F*), who believed that the programme simply set up a financiers' Europe by deregulation with no positive results in terms of growth and employment—or from members emphasizing their national interests—Mr José Barros

Moura (*COM/P*)—or direct cooperation between Member States. At the other extreme, some speakers would have liked Mr Delors to have enlarged on his proposals and shown how far incomes and employment depended on them or to have affirmed the political as well as the economic nature of the Community in East-West relations, within GATT or in the trade disputes with the United States.

The House, as Mr Klaus Hänsch (*S/D*) affirmed, was also keenly aware of the fact that it had had first knowledge of the new programme, and several members praised the Commission's determination to cooperate with Parliament, though some—like Mr Rudi Arndt—described this as belated support for measures the House has already proposed, while others—like Mr Christopher Prout—considered Mr Delors' analysis somewhat long on generalities and short on specifics.

The more lukewarm reactions to the Commission's guidelines were first heard in comment on the reform of the CAP. Even though the dominant feeling was one of great satisfaction with the idea of limiting and redeploying the resources allocated to support agricultural markets, some members still had reservations. Mr Rudi Arndt, for example, contended that the notion of 'Community preference' was not to be found in the Treaty and had been superimposed upon it, and went on to claim that guaranteed prices inevitably meant a renationalization of agricultural policy, with the richest countries likely to obtain further unfair benefits for their farmers. Mr Arndt nevertheless agreed to consider an oils and fats tax as part of a package, a suggestion firmly resisted by Mr Christopher Prout, who insisted that it was bad for consumers. Mr Jean-Claude Pasty expressed concern over the Commission's proposals for reforming the CAP: they would have an adverse effect on shortfall production as well as surpluses, thus depriving farmers of the conversion option. The guidelines for a policy of liberally inspired cut-throat competition must be offset by a far-reaching social policy, and that would entail some degree of

renationalization since the Community did not have the necessary resources. The proposals concerning Community management and the new ventures drew more eloquent responses: the appraisal offered by Mr Sergio ERCINI, who commended the Commission for not taking a hidebound approach and for its efforts to advance by realistically short strides towards a great and proud Europe under the rationale of the Single Act, complemented the vision of Mr Christopher Prout, who affirmed that the 'really essential things about the Community are the things which do not cost money'. The reform of financing, though welcomed, caused some perplexity. Mrs Simone Veil (LDR/F) stressed that the new system must be adequate, straightforward and sufficiently *communautaire* to prevent disputes, while Mrs Carla Barbarella (COM/I) and Mr Rudi Arndt feared that the proposed mechanism was tantamount to a return to national contributions and that the limitation of resources debased the meaning of solidarity within the Community. Mr Jean-Claude PASTY and Mr Efthimios Christodoulou (PPE/GR) were worried about the vagueness of the term 'green scale'. But the idea of reforming the structural Funds was wholeheartedly endorsed.

Winding up the debate, Mr Delors again expressed his concern about inadequate growth in Europe despite positive factors like the fall in oil prices and the dollar. This was the moment to act, for the large market would not be achieved unless we succeeded in using the respite we had been granted to renew growth. To the doubters he retorted that there was no alternative to the Community, despite its imperfections: it was hard to imagine individual Member States being capable of competing alone in the world market olympics.

At the end of the debate Parliament, voting on the report by Mr Robert FORMIGONI (PPE/I), agreed to debate and vote on the Commission guidelines and on the reappointment of the Commission President and Vice-Presidents during the March part-session.

2.4.10. Parliament gave opinions on the following Commission proposals:

- (i) a Directive on the freedom of establishment and freedom to supply services in the field of mortgage credit (→ point 2.1.6);
- (ii) an amendment to the Council Directive of 17 September 1984 concerning the permissible sound power level of tower cranes (→ point 2.1.90);
- (iii) an amendment to the Council Directive of 24 June 1982 on the major-accident hazards of certain industrial activities (→ point 2.1.92);
- (iv) five Regulations concerning wine and the common organization of the market in wine (→ point 2.1.131);
- (v) a Regulation amending the Regulation on the common organization of the market in wine;¹
- (vi) a Decision and three Directives on classical swine fever (→ point 2.1.139)
- (vii) an amendment to the Council Directive of 29 December 1976 relating to roadworthiness tests for motor vehicles and their trailers (→ point 2.1.167).

2.4.11. Resolutions were passed on the following subjects.

Biotechnology in Europe. Parliament believed that biotechnology research required a multidisciplinary and integrated approach which went far beyond the financial and research potentials of the individual Member States and pointed to the considerable success of the first European biomolecular engineering programme.²

The House asked the Commission to review its biotechnology programme³ and made a number of recommendations that sought to exclude the manipulation of human genes, protect laboratory technicians, respect the environment, establish a European ecological institute, harmonize patent legislation

¹ OJ C 326, 19.12.1986; Bull. EC 12-1986, point 2.1.239.

² OJ L 375, 30.12.1981; Bull. EC 12-1981, point 2.1.166.

³ OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

and ban the military use of the results of research under Community programmes.

The effects of the use of biotechnology on the European farming industry. Drawing attention to the need for extensive efforts to promote biotechnology in order to modernize agriculture and agro-industry so that they could both maintain their competitiveness on the world market, and to the fact that the multinationals were spending huge sums on biotechnology research — which could help to reduce the dangers that traditional intensive agriculture posed to the environment — Parliament voiced the wish that family farming be maintained as the basis of Community agriculture and that farmers be given appropriate training to enable them to take an active part in putting biotechnological research and applications to practical use. The House expressed its concern and made several recommendations concerning the introduction of biotechnology into livestock and crop farming.

Animal welfare policy. Given that livestock production accounted for over half of total final agricultural production in the Community and that a policy on animal welfare formed part of the package of measures needed to achieve a true reform of the common agricultural policy, Parliament issued a number of recommendations concerning the intensive rearing and transport of calves, pigs and laying hens. The House asked the Commission to come forward with appropriate proposals for directives.

Estimation and management of fish stocks. Believing that the accurate estimation of fish stocks was necessary for the sound management of fishery resources and stressing the shortcomings of the system of TACs and quotas, Parliament made various recommendations for combining the profitability of Community fishing with the conservation of fish stocks.

Protection and management of salmon stocks in the North Atlantic. Aware of the importance of salmon for the livelihood of certain parts of the Community and realizing that the practice of fishing stocks of

mixed origin (from various watercourses or different countries) was a major cause of the growing scarcity of salmon, Parliament called for a halt to this practice. As long as it continued the countries engaged in it should make a financial contribution to a fund for the restoration of salmon stocks in the North Atlantic. The Commission was asked to undertake a study of salmon stocks in the Community and of the various factors involved. The House offered suggestions for the protection and reproduction of salmon.

Revision of the common organization of the market in fisheries products. Since the entry of Spain and Portugal into the Community had radically altered the fishery market situation and after five years the common organization of the market had failed to institute 'common practices' and to achieve the expected results, Parliament considered that all the market organization mechanisms should be reviewed. The House went on to state its views and make recommendations concerning intra-Community and external trade, production controls and organization of the market. The Commission was asked to set up common funds for the promotion of the herring market, where oversupply was now a source of concern. It was also requested to present a proposal to recognize sponge and coral gathering as fishing activities and, hence, sponge and coral as fishery products, and finally to submit a review of the operation of the market organization with proposals for changes (preferably improvements that made no demands on the budget).

Organization of the market in fisheries products (special report). Having considered the special report of the Court of Auditors and the report by the Committee on Budgetary Control, Parliament welcomed the fact that the system for the common organization of the market in fisheries products had made it possible to improve the effectiveness of the financial resources allocated to it. The House regretted that the percentage of total production dealt with by producers' organizations compared with the overall amount of production was so low and recommended that fishermen be

given every encouragement to join producer organizations, which could be enhanced by training that the Commission was asked to organize.

Mediterranean fishing. Parliament pointed out that fishing in the Mediterranean played a crucial role in the economies of Mediterranean regions and hoped that the Commission would soon be able to present proposals for a Mediterranean fisheries policy. The House believed that ports and fishing vessels must be modernized, safety at sea enhanced and the marketing of fishery products improved. It also considered that inshore fishing could be developed and advocated various measures for the conservation of resources, protection of the marine environment and the coordination of all the fishing, tourist and industrial activity carried on around the Mediterranean Sea.

Fisheries agreements between the Community and non-member countries. Parliament observed that following the accession of Spain and Portugal the Community was the world's third-largest producer of fishery products, that the establishment of a 200-nautical mile exclusive economic zone had made fishing dependent on the conclusion of fishery agreements and that since 1976 the Community had exclusive jurisdiction in the fisheries sector and was already administering a number of agreements.

The House was also aware that the biological balance must be respected and all agreements must therefore take account of biological assessments, if the fishing industry was to survive. Parliament set out the measures it considered essential to ensure this, particularly as regards bilateral and multilateral agreements, and addressed its recommendations to the Commission. It was especially concerned about the future of Mediterranean fishing and proposed a code of conduct. Deploring the fact that notwithstanding the Single European Act it had not been consulted on agreements with non-member countries, Parliament stated the terms for an *ad hoc* conciliation procedure.

Fishing agreements with developing countries. Noting the annual Community

deficit of some 2 000 million ECU in the fisheries sector as well as the beneficial effects of the accession of Spain and Portugal, Parliament believed that fishing agreements in addition to the eight already in force, should be concluded with other developing countries. The Community's development policy should aim to provide these countries with the means of exploiting their fish resources properly. The House made a number of proposals and suggestions for promoting the development and use of resources and for protecting them against pillage on the part of vessels belonging to the Soviet Union and certain other Communist bloc and Far Eastern countries. Parliament held that fishing agreements should allow some industrialization, including fish processing, in developing countries.

EEC-US Agreement. Parliament noted that the agreement of 29 January concluding the negotiations between the United States and the Community on the effects of the accession of Spain and Portugal¹ had prevented the escalation of retaliatory measures that would have done neither side any good. The House nevertheless expressed concern and regret and urged the Council and the Commission to take a firmer line in future discussions with the United States.

Economic and trade relations between the EEC and the Gulf States. Noting the mutual economic and political interests of the European Community and the Member States of the Gulf Cooperation Council and regretting that there was no formal agreement between them, Parliament hoped that a long-term cooperation agreement would be concluded. The House considered the form that cooperation should take and the areas it should cover. Parliament also called for the use of the ECU as reference currency in setting prices and as means of payment for commercial oil transactions between the Community and the Gulf States.

North-South cooperation. In view of the interdependence of North and South as regards peace and other objectives and the

¹ Bull. EC 1-1987, points 1.2.1 and 1.2.2.

need for faster economic growth in developing countries and for dialogue and cooperation, Parliament put forward a 15-point programme covering, in particular, the United Nations crisis, action by the International Monetary Fund, the indebtedness crisis, the development of appropriate technologies, the generalized preferences scheme, increased aid, disarmament, the fight against hunger, fishery agreements, the spread of desertification, the situation of refugees and protection of the environment. Parliament called on the Commission to present specific and far-reaching proposals and report to the House annually on progress made in North-South cooperation.

The fight against hunger. In the knowledge that each year an increasing number of people in developing countries were suffering from hunger or malnutrition, Parliament spelt out the basic political, cultural, social and economic conditions that had to be established if the agricultural, food and rural sectors were to be developed. The House applauded the results of the programming measures under Lomé III but urged the Commission to find ways to grant additional financial resources to those countries which were themselves devoting a proportion of their resources to rural development. Parliament deplored the fact that only a small proportion of the commitment appropriations intended for the 'Special programme to combat hunger in the world' had been used. The House went on to set out guidelines for a successful campaign.

Desertification. Parliament stressed the vital need to preserve the fundamental natural order by giving the highest priority to protection of the environment and conservation of natural resources. The House shared wholeheartedly the Commission's concern over the process of desertification, which, despite all efforts to halt it, was steadily spreading. Parliament reviewed the measures that should be taken to counter this scourge and regretted that neither the Commission's paper¹ nor the Council's statement² gave any estimate of the amounts to be earmarked for desertification control.

The House called for precise target figures to be set as soon as possible and enjoined the Commission to set up a high-level group to coordinate policy and action in association with other international donors (OAU, World Bank, UN, Member States), and to submit an annual progress report.

Indebtedness in the developing countries. Aware that the problem of indebtedness was threatening not only the economic future of developing countries but also the viability of the international banking system, Parliament analysed the causes and the record since 1983. It believed that the problem would get worse and that the Community had a potentially decisive role to play, as had the United States and Japan too. Parliament judged the 'Baker initiative' to be altogether inadequate but the only material response so far made by the industrialized countries.

The House called on the Council to conduct a fresh general analysis of the problem and work out political solutions, and hoped that the Community would play a bigger role on the monetary stage so as to contribute more effectively within the multilateral financial institutions in order to promote self-sustaining economic growth and social justice by alleviating the debt burden of the developing countries. Parliament then considered the various possible and desirable solutions to the indebtedness problem and proposed measures including the allocation of more resources to development cooperation and the stimulation of North-South trade.

The Community's relations with developing countries with regard to trade and raw materials. Having reaffirmed that the fundamental aim of development cooperation was to eliminate hunger, poverty and social injustice so that people could satisfy their most important basic needs and lead lives consonant with human dignity, Parliament noted that the measures taken hitherto and the development aid given by the industrial-

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

² Bull. EC 4-1986, point 2.2.29.

ized countries had not been sufficient to improve the poor economic and financial situation in many developing countries. The House considered that high levels of indebtedness, low raw materials prices and protectionism by the industrialized countries all had an adverse effect on the economies of the developing countries; the Community, as their principal trading partner, bore a great responsibility. Parliament proposed measures in various areas: raw materials and the stabilization of export earnings, the generalized preferences scheme for the developing countries, the Multifibre Arrangement, South-South trade, non-tariff barriers and the problem of rules of origin.

Parliament believed that 'newly industrialized countries' should be more closely involved in the international economic decision-making process; a revision of the common agricultural policy was also essential in the interests of the developing countries.

Coordination of development aid. Parliament noted that the rapid increase in the volume of North-South concessional flows over the last 20 years had generally occurred in a piecemeal and uncoordinated manner. The House therefore believed that the Community and its Member States must lead an advance in the coordination of official development assistance. It considered a number of improvements and asked the Commission and the Council to report annually on the measures adopted. Parliament stressed the need for exchange of information, the advantages of electronic data transmission, the usefulness of appointing a coordinator, the assistance that the Community must render to the regional development organizations, the streamlining of Community and national procedures, the vital role to be played by the Commission Delegations in the operational coordination of aid, the need for more staff if the Commission is to play its coordinating role. Lastly, the House made a number of comments and proposals, notably in order to counter the lack of policy coordination within the Community institutions.

Cooperation between the Community and non-governmental organizations in development cooperation. Parliament welcomed the increasing cooperation between NGOs and the Commission through the cofinancing of projects and the steady increase in the Community's contribution to the NGOs which had confirmed their usefulness and effectiveness. The House acknowledged the success achieved by the NGOs with comparatively slender resources. It expressed a number of wishes in regard to the cofinancing of NGO projects in developing countries. The House deplored the fact that NGOs were still having difficulty in obtaining support for humanitarian aid in politically sensitive areas. It urged that the people of South Africa be allowed to benefit from aid programmes implemented in other countries, when unable to benefit in their own.

Aid to refugees and displaced persons in developing countries. Parliament was alarmed by the continuous growth in the number of refugees and displaced persons. While commending the role played by the Community in Central America, it wanted to see more strenuous efforts in southern Africa, Afghanistan, Sri Lanka and Western Sahara. The House insisted that any adjustment to the CAP take account of the interests of the developing countries. The Commission was asked to ensure closer coordination between donor countries and stressed the need to increase the appropriations entered under Article 936 of the budget and to raise to 1 million ECU the ceiling for the emergency action programmes planned under Article 204 of the Lomé Convention.

Council decision of 13 February on the budgetary procedure for 1987. Parliament noted that the Council, on the basis of the Commission's letter of amendment of 9 January,¹ had responded to Parliament's invitation, as expressed in its resolution of 21 January,² to transmit a fresh budget

¹ Bull. EC 1-1987, point 2.3.1.

² OJ C 46, 23.2.1987; Bull. EC 1-1987, point 2.3.3.

proposal. The House maintained that the Community must have a budget and noted with satisfaction that the Council had endorsed the amendments adopted by Parliament at its second reading in December.¹ It accepted the Council's solution of raising the maximum rate for commitments from 8.1% to 8.1499%, but reminded the Council that there was no agreement between the two arms of the budgetary authority on the classification of expenditure. It also agreed to create a negative reserve in Chapter 100 but held that the budgetary crisis would not be solved by dint of such measures. The Council was asked to ensure that adequate funds could be transferred in 1987 to enable agricultural stocks to be reduced, and the House pointed out that the budget before it was inadequate to cover the Community's foreseeable needs in 1987 and that the Council, in accordance with Article 199 of the Treaty, was duty bound to take steps to ensure that revenue and expenditure balanced in 1987.

Vote of confidence ratifying the renewal of the mandate of the President of the Commission. Parliament called upon the reappointed President of the Commission to outline the political guidelines he intended to follow during his two-year term of office, when presenting the Commission's programme for 1987, and agreed to debate these guidelines and vote upon them as well as voting separately on the reappointment of the Commission President and the Vice-Presidents.

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

Situation of the Jews in Lebanon. Alarmed over the perilous situation of the hundred or so Jews of Lebanese nationality who were still in Lebanon, Parliament called urgently on the Foreign Ministers meeting in political cooperation to consider their plight, approach Washington to ensure that the USA also did all it could for these people and inform the Lebanese Government of the Community's interest and concern.

The situation in the Palestinian camps in Lebanon. Shocked at the living conditions and the sufferings of thousands of non-combatant Palestinians in the besieged camps of Bourj al Barajneh and Shatila and believing that it was the duty of the EEC and the international community to take immediate action to bring this massacre to an end, Parliament condemned the blockade of the Palestinian camps and demanded that it be lifted immediately and unconditionally, called urgently upon all parties to bring to an end the attacks on the refugee camps in Lebanon, approved the aid measures taken by the Commission and called on the Council and the Foreign Ministers to take urgent steps to ensure that the Community's material and humanitarian aid arrived at its destination.

Detention in Bucharest of a Romanian UN official. Parliament demanded that Mr Liviu Bota, Director of the United Nations Institute for Disarmament Research, should be allowed to submit personally to the UN Secretary-General, or his representative, a report on his case containing the necessary clarifications, in accordance with the rules applying to international civil servants. This Romanian national, alleged to have resigned, is being detained in Bucharest after being called back for consultation, while his wife is in intensive care in a Geneva hospital, where Mr Bota was working. Parliament instructed its President to forward this resolution to the UN Secretary-General, the Romanian Foreign Minister and the Foreign Ministers of the Twelve meeting in political cooperation.

Situation of Jews in the Soviet Union. Recalling that in signing the Helsinki Final Act on cooperation and security the Soviet Government undertook to guarantee freedom of religion and freedom of movement for all citizens, Parliament welcomed the release of Mr Sakharov and 140 dissidents. But aware that the same Government was refusing to grant exit visas to a considerable number of Jews wishing to live in Israel,

¹ Bull. EC 12-1986, point 2.3.1.

Parliament called on the Soviet Government to persevere with its policy of openness and to allow the Jews, of whom 18 are mentioned by name, to emigrate without hindrance. The Soviet Government was also urged once more to end its campaign of harassment, persecution and imprisonment of Jews who have expressed the wish to settle in Israel. The House also insisted that Soviet citizens should be allowed to practice their religion and Jews to teach Hebrew.

Repressive situation of women in Chile. Recalling the abominable conditions inflicted on the Chilean people, by the 13-year-old military dictatorship, particularly on those women who actively oppose the system (of whom more than 50 are political prisoners), Parliament called for denunciation of the regime for its persistent violation of human rights and fundamental freedoms. The House expressed its appreciation of the rightful and legitimate struggle of Chilean women and its support for organizations where women play a prominent role. Parliament demanded that the Chilean regime openly investigate the political assassinations, abductions and cases of repression to which Chilean women had been subject and that those responsible for them were judged and punished. It also insisted that the demand for the death sentence in respect of Cecilia Rodrigan and Miriam Ortega be withdrawn and all political prisoners released.

Recent breaches of freedom of the press and media in the United Kingdom. Believing that the Special Branch raids on the BBC offices in Glasgow and on the home of a BBC journalist constituted a breach of the freedom of the press and the media, Parliament condemned these actions and the British Government for ordering them.

African Charter of Human Rights. Informed that the African Charter of Human and Peoples' Rights had recently entered into force, Parliament congratulated the OAU on establishing an instrument of such importance and earnestly hoped that all OAU Member States would accede to the Charter.

Development and disarmament. Since the growth of military expenditure in the developing countries inevitably meant a loss of financial resources that should be devoted to economic development, with poverty and pauperization in the Third World constituting a threat to peace and security, and in view of the industrialized countries' failure to reach the United Nations target of devoting 1% of their GNP to total funds for the developing countries and 0.7% to official development aid, Parliament considered that the most effective way of slowing the arms race was to promote conditions of internal stability based on respect for human rights, and of international stability based on *détente* and mutual security. The House was deeply concerned by the number of wars being fought in many parts of the developing world, which were severely retarding prospects for economic and social development. Parliament pointed to the important role that the industrially developed countries were called upon to play in ensuring that the right psychological climate existed for the removal of tension and urged the Community and its Member States to foster the establishment and consolidation of regional economic and political organizations throughout the Third World and to increase the financial resources devoted to regional cooperation measures. The House condemned intervention by military powers in the Third World and offered guidelines and directives for disarmament.

Council

2.4.13. The Council held seven meetings in February. 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.

Table 13 — *Council meetings in February*

Number, place and date of meeting	Subject	President	Commission	Main items of business
1140th Brussels 9 February	Economic and financial affairs	Mr Eyskens	Mr De Clercq	Export credits — amendment of Arrangement on Guidelines ¹ Economic situation in the Community
1141st Brussels 9 and 10 February	Agriculture	Mr De Keersmaecker	Mr Andriessen	Socio-structural measures ² Common measure for Ireland Milk ² Beef/veal ² Wine ² General rules for financing of intervention by EAGGF Guarantee Section — disposal of butter stocks ²
1142nd Brussels 12 and 13 February	Budget	Mr Verhofstadt	Mr Christoffersen	Council decision on basis of Commission's letter of amendment of 9 January ³
1143rd Brussels 16 February	General affairs	Mr Tindemans	Mr Cheysson Mr De Clercq Mr Clinton Davis	Mediterranean financial protocols EEC-Hungary relations ⁴ Limits for radioactive contamination of drinking water and agricultural products in the event of a nuclear accident ⁵
1144th Brussels 23 and 24 February	Agriculture	Mr De Keersmaecker	Mr Andriessen	Milk and milk products ² Socio-structural measures ² National aid to small-scale milk producers
1145th Brussels 23 and 24 February	Research	Mr Verhofstadt	Mr Narjes	Framework programme for research and technological development (1987-91) ⁶
1146th Brussels 24 February	Internal market	Mr De Keersmaecker	Lord Cockfield	Right of residence Sprint programme Border controls Mutual recognition of diplomas Community patents

¹ Commercial policy.² Agriculture.³ Financing of Community activities.⁴ Relations with other countries and regions.⁵ Nuclear safety.⁶ Research and technology.

Commission

Activities

2.4.14. Mr Delors presented the Commission's work programme for 1987 to Parliament on 18 February.¹ 'The Single Act: A new frontier for Europe' sums up the central message which Mr Delors sought to convey to the House when he presented the broad outlines of the communication with this title, which deals with the future financing of the Community, the future of the common agricultural policy and the reform of the structural Funds (→ point 1.1.1 *et seq.*).¹

Decisions, communications and proposals

2.4.15. The Commission adopted its proposals on agricultural prices and related measures for 1987/88 and transmitted them to the Council (→ point 1.2.1 *et seq.*).

In response to the request from the London European Council in December 1986² the Commission adopted a communication outlining the action needed to back up measures taken at national level in the fight against AIDS (→ point 1.4.1 *et seq.*).

The Commission approved its annual communication to the Council in preparation for the first of the three examinations of the economic situation in the Community required by the 1974 Decision on convergence. This year's communication also contains proposals on how to make Com-

munity procedures for coordinating national economic policies more effective (→ point 2.1.2).

A five-year programme of demonstration projects designed to assess the job-creation potential of environmental measures was also adopted by the Commission (→ point 2.1.83).

The Commission adopted two proposals for Council Regulations in the field of transport, one on the conditions under which non-resident carriers may operate national road passenger transport within a Member State, and the other on common rules for the international carriage of passengers by coach and bus (→ points 2.1.169 and 2.1.170).

On 4 February the Commission approved the first three projects for integrated Mediterranean programmes in France; these will be carried out in Aquitaine, Languedoc-Roussillon and Midi-Pyrénées (→ point 2.1.81).

Finally, the Commission sent the Council a proposal for amending the Regulation on protection against dumped imports from countries not members of the Community. This amendment should pave the way for action to prevent producers circumventing anti-dumping duties by importing components into the Community which can then be assembled in relatively simple operations (→ point 2.2.2).

¹ Supplement 1/87 — Bull. EC.

² Bull. EC 12-1986, point 1.1.19.

Court of Justice

2.4.16. New cases

Case	Subject	Basis
ECSC — Steel 32/87 ISA v Commission ¹	Annulment of Commission Decision No 3746/86/ECSC amending Decision No 3485/85/ECSC on the extension of the system of monitoring and production quotas for certain products of undertakings in the steel industry	Article 33 ECSC

Case	Subject	Basis
52/87 Alfa Acciai v Commission ²	Annulment of the individual Commission Decision of 23 December 1986 (SG(86) D/15838) notifying the applicant of Category IV production quotas granted for the first quarter of 1987	Article 33 ECSC
57/87 Fincamuna and Nuova Sidercamuna v Commission ²	Annulment of the individual Commission Decision of 23 December 1986 (SG(86) D/15853) notifying the applicant of Category III production quotas granted for the first quarter of 1987	/87 33 ECSC
Customs union		
26/87 Nicolet Instrument v HZA Frankfurt am Main — Flughafen	Validity of the Commission Decision of 18 October 1985 concerning the apparatus known as 'Nicolet — Data Acquisition System, model MED 80', finding that the apparatus could not be imported free of import duties	Article 177 EEC
Right of establishment		
20/87 Ministère Public v Gauthard	Are the French laws laying down planning rules applicable to commercial premises, in particular Sections 28 to 36 of the Act of 27 December 1973, compatible with the EEC Treaty and EEC directives?	Article 177 EEC
Taxation		
10/87 R. v Commissioners of Customs and Excise, <i>ex parte</i> Tattersalls ³	Interpretation of Article 10(c) and Article 11, second paragraph, point (b), of the 17th VAT Directive (85/362/EEC) concerning VAT exemption for the temporary importation of goods which were exempt from VAT in the Member State of exportation	Article 177 EEC
Competition		
27/87 Louis Erauw-Jacquery v La Hesbignonne ⁴	Application of Article 85 of the EEC Treaty to an agreement containing export ban and minimum price clauses which might affect trade between Member States	Article 177 EEC
30/87 Bodson v Pompes Funèbres des Régions Libérées ⁴	Is an exclusive concession to provide undertakers' services in a part of the country, granted by a municipality to a single firm or to a single group of firms, contrary to Articles 37, 85, 86 and 90 of the EEC Treaty?	Article 177 EEC

Case	Subject	Basis
34/87 Verenigde Coöperatieve Melkindustrie Coberco v Commission	Annulment of Commission Decision 86/596/EEC relating to a proceeding under Article 85 of the EEC Treaty (IV/31.204-Meldoc), which imposed a fine on the applicants for having taken part in an agreement and a concerted practice between the firms in the greater Mel-doc organization	Article 173 EEC
36/87 DMV Campina v Commission		
39/87 Melkunie Holland v Commission ⁵		
40/87 Coöperatieve Melkproducentenbedrijven 'DOMO-Bedum' v Commission ⁵		
46/87 and 46/87R Hoechst v Commission	Annulment of the Commission Decision of 15 January 1987 concerning an investigation under Article 14(3) of Council Regulation No 17 (IV/31.865 — PVC and IV/31.866 — Polyethylene) and the Commission Decision of 3 February 1987 imposing periodic penalty payments under Article 16 of Council Regulation No 17 (IV/31.865 — PVC and IV/31.866 — Polyethylene), and suspension of the application of those Decisions	Article 185 EEC Article 185 EEC and Article 83 of the Rules of Procedure
Social security		
21/87 Borowitz v Bundesversicherungsanstalt für Angestellte	Does Council Regulation No 1408/71 permit a German insurance institution, in deciding whether to take interrupting periods into account, to treat as compulsory contributions paid under German legislation and as insurance under the German pension insurance scheme not only compulsory contributions paid under the legislation of other Member States and insurance under the insurance schemes of other Member States but also compulsory contributions and insurance in a non-member country (Poland) with which the Federal Republic of Germany has concluded a convention on the reciprocal assimilation of insurance periods?	Article 177 EEC
Agriculture		
8/87 Andrianou-Gizinou Cotton Producers Group v Greek State, in the person of the Minister for Finance	When is a Member State obliged to grant the aid provided for in Articles 4 and 5 of Council Regulation No 389/82 on producer groups and associations thereof in the cotton sector?	Article 177 EEC
Fisheries/free movement of workers		
3/87 R. v Ministry of Agriculture, Fisheries and Food, <i>ex parte</i> Agegate Ltd	1. In deciding whether in Community law a share fisherman is a provider of services or a worker, what are the relevant tests to be applied?	Article 177 EEC

Case	Subject	Basis
<p>Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters</p> <p>9/87 <i>Arcado v Haviland</i></p> <p>Protocol on the privileges and immunities of the Communities</p> <p>SA1/87 <i>Universe Tankship Company</i>⁶</p> <p>Commercial policy</p> <p>51/87 <i>Commission v Council</i>⁷</p> <p>Infringements</p> <p>38/87 <i>Commission v Greece</i>⁸</p> <p>41/87 <i>Commission v Italy</i>⁶</p> <p>42/87 <i>Commission v Belgium</i>⁷</p>	<p>2. Can a Member State, in granting a licence for a fishing vessel flying the flag of that Member State, require that 75% of the crew be EEC nationals resident on shore in that Member State but excluding Spanish nationals? May it require that a skipper and all the crew must be making contributions to the social security scheme of that Member State?</p> <p>Are proceedings relating to the unlawful repudiation of an (independent) commercial agency agreement and the payment of commission due under such an agreement proceedings in matters relating to a contract within the meaning of Article 5(1) of the Convention?</p> <p>Authorization to attach all sums due and payable for whatever reason by the Commission to the Belgian State, in particular such sums as are payable by way of rent</p> <p>Annulment of Council Regulation No 3924/86 applying generalized tariff preferences for 1987 in respect of certain industrial products originating in developing countries, and of Council Regulation No 3925/86 applying generalized tariff preferences to 1987 to textile products originating in developing countries</p> <p>Articles 52 and 59 of the EEC Treaty: requirement of Greek nationality for architects, civil engineers, surveyors and lawyers</p> <p>Failure to apply Commission Directive 83/201/EEC (percentage of meat); additional to application in Case 274/86</p> <p>Failure of Belgium to fulfil its obligation under Article 7 of the EEC Treaty and Article 12 of Regulation No 1612/68: the Belgian rules making ineligible for State financing nationals of other Member States who seek admission to non-university higher education establishments mean that there is discrimination on grounds of nationality as regards access to vocational training</p>	<p>Article 173 EEC</p> <p>Article 169 EEC</p> <p>Article 169 EEC</p> <p>Article 169 EEC</p>

Case	Subject	Basis
45/87 and 45/87R Commission v Ireland ⁶	Failure to fulfil obligations under Article 30 of the EEC Treaty and Council Directive 71/305/EEC: contract for the Dundalk Water Supply Augmentation Scheme Application for interim measures	Article 169 EEC Article 186 EEC and Article 83 of the Rules of Procedure
50/87 Commission v France ⁷	Failure of France to fulfil its obligations under Articles 99 and 100 of the EEC Treaty: restrictions on certain taxable persons' right to deduct the VAT paid on imports at the time when the deductible tax becomes chargeable, and failure to comply with the sixth VAT Directive (77/388/EEC), and in particular Articles 17 to 20 thereof	Article 169 EEC
54/87 Commission v Italy ⁹	Council Regulation No 2891/77: refusal to pay interest on own resources which were made available late because of a misclassification of customs duties	Article 169 EEC
56/87 Commission v Italy	Infringement of Article 30 of the EEC Treaty: new method for fixing the price of pharmaceutical products	Article 169 EEC
59/87 Commission v Belgium	Failure of Belgium to fulfil its obligations under the Treaty and Regulation No 1612/68: domestic rules do not grant the right to the minimum means necessary for subsistence to nationals of non-member countries resident in Belgium as members of the family of a Community migrant worker or of his spouse	Article 169 EEC
60/87 Commission v Italy	Failure to apply Commission Directive 82/937/EEC on straight feedingstuffs; additional to application in Case 275/86	Article 169 EEC

Disputes between the Community and its staff

v Commission: 47/87 Lucas⁷

v Court of Justice:

33/87 Christianos³

37/87 Sperber⁸

v Parliament: 28/27 Arendt

¹ OJ C 53, 28.2.1987

² OJ C 78, 25.3.1987

³ OJ C 55, 3.3.1987.

⁴ OJ C 52, 27.2.1987.

⁵ OJ C 77, 24.3.1987.

⁶ OJ C 69, 17.3.1987.

⁷ OJ C 73, 20.3.1987.

⁸ OJ C 57, 5.3.1987

⁹ OJ C 80, 27.3.1987.

2.4.17. Judgments

Date and Case	Held
ECSC — Steel	
24.2.1987: 350/85 Cockerill-Sambre v Commission ¹	Application dismissed (seeking the annulment of individual Commission Decision No S (85) 1603/8 of 9 October 1985 imposing a fine on the applicant for exceeding its quota during the fourth quarter of 1983)
Free movement of goods	
18.2.1987: 98/86 Ministere Public v Mathot ²	Neither Article 30 EEC, nor any other provision of the EEC Treaty, nor any general principle of Community law renders unlawful the application of certain provisions of national legislation, themselves in conformity with a Community directive, only to domestically produced products, to the exclusion of those coming from other Member States
25.2.1987: 168/86 Rousseau v Procureur Général ³	Neither Article 7 EEC nor any other provision or principle laid down in that Treaty applies to a difference of treatment operated under a law which provides that the retail selling price of books is to be fixed by the publisher or the importer of a book and is binding on all retailers where, as a result of that difference of treatment, there is no restriction on the price of books published and printed in the Member State concerned where the books are reimported after having first been exported to another Member State, whereas the price is fixed by the publishers where the books have not crossed a border within the Community in the course of the marketing process
State aid	
24.2.1987: 304/85 Acciaierie e Ferriere Lombarde Falck v Commission ¹	Application dismissed (seeking annulment of the Commission Decision of 1 August 1985 authorizing the Italian Government to grant additional aid to the Italian steel industry)
24.2.1987: 310/85 Deufil v Commission ³	Application dismissed (seeking annulment of Commission Decision 85/471/EEC concerning aid granted by the German Government to a manufacturer of polyamide and polypropylene yarn in Bergkamen)
Social security	
24.2.1987: 379 to 381/85 and 93/86: Caisse Régionale d'Assurance Maladie Rhône-Alpes and Others v Giletti and Others ⁴	1. Article 4(4) of Council Regulation No 1408/71 must be interpreted as not excluding from the scope of that Regulation a supplementary allowance paid by a National Solidarity Fund financed from tax revenue and granted to the recipients of an old-age, widow's or invalidity pension with a view to providing them with minimum means of subsistence, provided that the persons concerned have a legally-protected right to the grant of such an allowance

Date and Case	Held
	<p>2. Article 10 of Regulation No 1408/71 must be interpreted as meaning that a person may not be denied initial or continuing entitlement to the allowances, pensions and benefits referred to in that provision on the sole ground that he does not reside within the territory of the Member State in which the institution responsible for payment is situated</p>
Agriculture	
<p>5.2.1987: 145/85 Denkavit België v Belgian State⁵</p>	<p>1. Article 17(3) of Commission Regulation No 1371/81 must be interpreted as meaning that the period of two months prescribed for the payment of monetary compensatory amounts starts to run on the day following that on which the request for payment, together with the other documents required, is deposited with the competent national authority</p> <p>2. The competent national authority may not plead <i>force majeure</i> under Article 17(3)(a) of Regulation No 1371/81 on the ground that it had insufficient staff available, notwithstanding a sudden great increase in the number of requests for payment of monetary compensatory amounts and the alleged special characteristics of the agricultural sector in question</p>
<p>5.2.1987: 288/85 HZA Hamburg-Jonas v Plange Kraftfutterwerke⁶</p>	<p>A trader who has undertaken, pursuant to Article 3(2) of Commission Regulation No 1957/69 on additional detailed rules for granting export refunds on products subject to a single price system, to export mixed cereal feedingstuff with a cereal content exceeding 65% by weight, but who has in fact, owing to circumstances in which no blame attaches to him, exported mixed cereal feedingstuff containing only between 50% and 65% by weight of cereal, is obliged under Article 6(1) and (5) of the Regulation, even where the deposit has already been released, to repay the difference between the refund paid in advance and the refund which he should have obtained for the products actually exported, that difference to be increased by 20%</p>
<p>12.2.1987: 181/85 France v Commission⁷</p>	<p>Application dismissed (seeking annulment of Commission Regulation No 644/85, on the countervailing charge upon imports of French ethyl alcohol)</p>
<p>24.2.1987: 26/86 Deutz & Geldermann Sektkellerei Breisach/Baden v Council¹</p>	<p>Application dismissed as inadmissible (seeking annulment of Council Regulation No 3309/85 in so far as it provides that reference to the method of production known as 'methode champenoise' may be used in the labelling of sparkling wines other than those entitled to the registered designation 'Champagne', if such a usage was traditional, only for eight more wine-growing years</p>

Date and Case	Held
26.2.1987: 15/85 Consorzio Cooperative d'Abruzzo v Commission ⁴	<p>1. The Commission Decision of 31 October 1984 is declared void</p> <p>2. The remaining claims in the application are dismissed (Decision correcting an EAGGF grant mistakenly awarded in an earlier Decision)</p>
External relations	
20.2.1987: 121/86R and 122/86R Epikhiriseon Metallevtikon Viomikhanikon kai Navtiliakon v Council and Commission ¹	Applications dismissed (seeking access to the file on the administrative inquiry in an anti-dumping case)
24.2.1987: 312/84 Continentale Produkten Gesellschaft Ehrhardt-Renken v Commission ³	Application dismissed (seeking annulment of the Commission Decision of 29 October 1984 on the reimbursement of anti-dumping duties, which rejected the applicants' request for reimbursement pursuant to Article 16 of Council Regulation No 2176/84)
Infringements	
12.2.1987: 306/84 Commission v Belgium ⁷	By not adopting within the time prescribed all the provisions necessary to comply with Council Directive 75/363/EEC concerning the coordination of provisions laid down by law, regulation or administrative action in respect of the activities of doctors, Belgium has failed to fulfil its obligation under the Treaty, read together with the abovementioned Directive
12.2.1987: 221/85 Commission v Belgium ⁷	Application dismissed (infringement of Article 52 — right of establishment in relation to clinical biology laboratories)
12.2.1987: 390/85 Commission v Belgium ⁷	By failing to adopt, within the prescribed period, the provisions necessary to comply with the provisions of Council Directive 79/279/EEC coordinating the conditions for the admission of securities to official stock exchange listing, Council Directive 80/390/EEC coordinating the requirements for the drawing up, scrutiny and distribution of the listing particulars to be published for the admission of securities to official stock exchange listing, and Council Directive 82/121/EEC on information to be published on a regular basis by companies the shares of which have been admitted to official stock exchange listing, Belgium has failed to fulfil its obligations under the EEC Treaty
12.2.1987: 69/86 Commission v Italy ⁸	By failing to comply with the judgment delivered by the Court of Justice in Case 322/82, Italy failed to fulfil its obligations under Article 171 of the EEC Treaty
16.2.1987: 45/87R Commission v Ireland	Ireland shall take such measures as may be necessary to prevent, until such time as the application by the Commission for interim measures has been disposed of or until further order, the

Date and Case	Held
11.2.1987: 18/85 Commission v Germany	award by Dundalk Urban District Council of Contract No 4 of the Dundalk Water Supply Augmentation Scheme Removed from the Court Register (failure to implement Directive 78/660/EEC on the annual accounts of companies)
11.2.1987: 298/85 Commission v Germany	Removed from the Court Register (second subparagraph of Article 4(4) of the sixth VAT Directive (77/388/EEC) — treatment as a single taxable person of two or more persons established in different States)

Disputes between the Community and its staff

v Commission:

4.2.1987: 276/85 Cladakis⁶ — Application dismissed as inadmissible

4.2.1987: 324/85 Bouteiller⁶ — Application dismissed

5.2.1987: 306/85 Huybrechts⁵ — Application dismissed

5.2.1987: 403/85 Ferrandi⁶ — Application dismissed

12.2.1987: 233/85 Bonino⁸ — Judgment for the applicant

17.2.1987: 21/86 Samara — Judgment for the applicant

19.2.1987: 101/86 Mogensen⁴ — Application dismissed as inadmissible

v Parliament: 5.2.1987: 280/85 Mouzourakis⁹ — Application dismissed

v Court of Auditors

4.2.1987: 302/85 Pressler-Hoeft⁶ — Application dismissed as inadmissible

4.2.1987: 417/85 Maurissen⁹ — Judgment for the applicant

¹ OJ C 78, 25.3.1987.

² OJ C 69, 17.3.1987.

³ OJ C 77, 24.3.1987.

⁴ OJ C 80, 27.3.1987.

⁵ OJ C 55, 3.3.1987.

⁶ OJ C 52, 27.2.1987.

⁷ OJ C 58, 6.3.1987.

⁸ OJ C 57, 5.3.1987.

⁹ OJ C 53, 28.2.1987.

Court of Auditors

2.4.18. On 18 February the Court adopted an opinion¹ on the proposal presented by the Commission to the Council in January² concerning the financing of a programme for the disposal of surplus intervention stocks. Although the Court agrees with the object of the exercise, which is to reduce the level of stocks, it is unable to endorse the methods proposed by the Commission.

Economic and Social Committee

244th plenary session

2.4.19. The Economic and Social Committee held its 244th plenary session in Brussels on 25 and 26 February with Mr Margot in the chair. The President of the Commission, Mr Jacques Delors, was present,

¹ OJ C 59, 7.3.1987.

² Bull. EC 1-1987, point 2.1.108.

and his speech was the high point of the meeting. The Committee adopted an own-initiative opinion on a Community rail policy and adopted all the opinions on the agenda. It also decided to transmit to the Community institutions an information report on public health.

Mr Delors' address

2.4.20. Having stated that the Commission would try to make further improvements in its present good relations with the Committee, Mr Delors asked for the Committee's opinion on the communication 'The Single Act: A new frontier for Europe' which the Commission had drawn up to enable the Community to act on the decisions it had taken (→ point 1.1.1 *et seq.*) The paper hinged on the following concepts:

- (i) full implementation of the Single Act;
- (ii) the prospects in the medium term;
- (iii) the need to make governments aware of the disparity between their stated attitudes towards European problems on the one hand and the realities of national policies on the other.

Mr Delors described the three principles underlying the necessary changes to the CAP: greater scope for market mechanisms, closer attention to rural development and family farms, and a firmer stand in relations with the outside world.

As regards policies with an economic impact, there were five objectives — two 'vertical' (Community support programmes for backward regions and industrial areas in crisis) and three 'horizontal' (programmes to provide work for young people, to combat long-term unemployment and to adapt agricultural production structures).

As for budgetary discipline, Mr Delors stated that this had failed because Parliament had not so far been involved in it, and because of the enormous cost of the past, the explosion in agricultural expenditure and the fall of the dollar which had cost

the Community budget some 2 000 million ECU.

Common rail policy

2.4.21. The Economic and Social Committee adopted by a majority decision (49 votes for and 20 abstentions) an own-initiative opinion on stocktaking and prospects for a Community rail policy.¹ It was confident that the moment had come to set up such a policy and called upon the Commission and the Council to take the necessary steps. The Community's main task would be to secure as far as possible fair and equal terms of competition between the different means of transport: at present, there were a number of distortions of competition. It must also draw up a consistent, multiannual infrastructure investment plan. The Committee had always been in favour of a Community rail policy. It had generally endorsed the Commission's endeavours in this area, while at the same time stressing their fragmentary nature and calling for a more coherent and comprehensive investigation of ways and means of ensuring 'equality of opportunities' between railways and other modes of inland transport, particularly in view of the deregulation of transport in the immediate future.

Information report on public health

2.4.22. The Committee decided to send the Council and the Commission an information report coinciding with the emergence of a Community health policy and looking forward to the completion of the internal market in 1992. The report takes a look at topical issues within the Community with special reference to cross-frontier hazards. It deals with the problems of organization and language in the event of illness and how to solve them, infectious diseases (malaria and AIDS), and what to do in case

¹ The report on which the opinion was based had been presented to the plenary session in September 1986. Bull. EC 9-1986, point 2.4.19.

of disasters. Part Two of the report deals with public health from the point of view of medical progress for the citizen, and Part Three deals with the exchange of experience in the areas of health information, prevention and early diagnosis.

Medical and health research programme

2.4.23. The Committee adopted unanimously an opinion on the proposal for a Council Regulation relating to a research and development coordination programme of the European Economic Community in the field of medical and health research (1987-89).¹ The Committee endorsed the proposal. The three previous coordination programmes had been successful in strengthening and integrating European research.

This fourth programme consisted exclusively of concerted actions with the result that the sole cost to the Community budget was that of coordination, i.e. the cost of the meetings of researchers taking part in the programme and the cost of the necessary Commission staff. Such actions made for the creation of a European awareness among participating scientists and were a step towards integration.

If the programme was to succeed it remained essential that the Member States proposed to the Commission for participation all institutes and research groups that could operate effectively in the various fields concerned. There must be no restrictive preselection in the Member States. The Committee called on the Commission to step up its efforts to make the results of the research programmes more accessible and highlight their usefulness to the Community. It supported the programme's priorities, though in some cases these seemed to be arbitrary or perhaps to have evolved from past activities and the reasons for certain items were not immediately clear.

Trade electronic data interchange

2.4.24. The Committee adopted by majority decision with six abstentions an

opinion on a proposal for a Council Regulation introducing the preparatory phase of a Community programme on trade electronic data interchange systems (Tedis).² The development of Tedis is an important facet of a comprehensive Community strategy in the field of technology. It uses standard Community-wide networks for the trouble-free digital transmission of graphics, alphanumerics and speech in the business and private sectors. The Committee gave its basic support to the proposal. However, it was not certain whether, in view of the relatively small budget for the many planned activities and studies, it would be possible to focus on those subjects which would yield the best practical results. This would not be sufficiently clear until further information was available about the funding of the pilot project phase and the subjects on which it would concentrate. The Committee would, however, stress the need for an even greater willingness on the part of national postal authorities to participate closely in the development of Community-wide services.

Reliefs from customs duty

2.4.25. The Committee adopted unanimously an opinion on the proposal for a Council Regulation amending the Regulation on the Common Customs Tariff and the Regulation setting up a Community system of reliefs from customs duty.³ The Committee endorsed the Commission proposal, particularly with the people's Europe in mind. It welcomed in particular:

- (i) the increase from 45 ECU to 100 ECU in the maximum value of duty-free goods which can be carried in personal luggage;
- (ii) the alignment of the provision on the flat-rate duty for small consignments on that for personal effects so that the system of charging the flat-rate duty only on the value exceeding the amount admitted duty-

¹ OJ C 50, 26.2.1987; Bull. EC 10-1986, point 2.1.49

² OJ C 2, 6.1.1987; Bull. EC 12-1986, point 2.1.75.

³ OJ C 254, 11.10.1986, Bull. EC 9-1986, point 2.1.45.

free would in future also apply to small consignments;

(iii) the increase from 115 ECU to 200 ECU of the maximum value of goods to which a flat-rate duty is applicable for small consignments and travellers' personal luggage alike.

Europe against cancer

2.4.26. The Committee adopted by majority decision with two votes against and six abstentions an opinion on the 'Europe against cancer' programme — a proposal for a plan of action (1987-89) including a draft Council Decision concerning the information of the public and the training of members of the health professions.¹ The Committee felt that the programme fitted in logically with measures taken hitherto at Community level. It noted with satisfaction that the Commission had now published an overall European strategy and an action programme for tackling the problems of basic research, preventive measures and treatment. The Commission had also presented a draft Decision which meant that, as the Committee suggested, there would be a considerable increase in the funds earmarked for informing members of the health professions and the general public. In this way an extensive and effective campaign could be undertaken to inform the general public and to improve the training of members of the health professions; as part of this an effort should be made to improve the supervision of, and support for, those organizations currently responsible for training.

Pollution of the Rhine

2.4.27. The Committee adopted *nem. con.* with seven abstentions an opinion on the proposal for a Council Decision on a supplement, in respect of mercury originating in sectors other than the chloralkali electrolysis industry, to Annex IV to the Convention for the Protection of the Rhine against Chemical Pollution, and on the rec-

ommendation on the monitoring of such discharges.² The Committee had already adopted two opinions on proposals concerning pollution of the Rhine³ and therefore approved this new proposal. The supplement to Annex IV to the Agreement allowed more stringent limit values to be set for the non-ferrous metal industry at the instigation of the International Commission and on the basis of experience, once a period of 10 years had elapsed. The Committee wondered whether consideration could be given to shortening the 10-year period by agreement with the International Commission. It recognized that the Agreement could not be amended unilaterally or in the short term but would none the less be pleased if the Commission were at an appropriate moment to consider this question.

Wine

2.4.28. The Economic and Social Committee adopted unanimously an opinion on the proposal for a Council Regulation amending the common organization of the market in wine.⁴ It noted that the Commission's proposal had been drafted because of Spain's accession to the Community and the need to change the demarcation of wine-growing zones currently used in the Community, although it had no specific legal basis. It hoped that the Commission would produce specific proposals before 1990 in the light of detailed studies based on information concerning the climatic conditions and the different ecological contexts of the various parts of the Community.

Interregional air services

2.4.29. The Committee adopted *nem. con.* with two abstentions an opinion on the proposal amending the Council Directive

¹ OJ C 50, 26.2.1987; Bull. EC 12-1986, point 1.4.1 *et seq.*

² Bull. EC 12-1984, point 2.1.121.

³ OJ C 348, 31.12.1980; OJ C 286, 24.10.1983.

⁴ OJ C 326, 19.12.1986; Bull. EC 12-1986, point 2.1.239.

concerning the authorization of scheduled interregional air services for the transport of passengers, mail and cargo between Member States.¹ It endorsed the objectives of expanding interregional air services as part of the network of air transport throughout the Community with specific emphasis on the benefits to be derived for the development of industry and employment in the regions. The Committee also saw the new proposal in the context of completion of the internal market as envisaged in the Single European Act. It stressed that the aim should be to provide a framework for the expansion of interregional air transport services based on sound economic principles and at the same time enhancing the viability of European air transport as a whole. The Committee reiterated that US-style deregulation was not being proposed by the Commission nor was it advocated by the Committee, as already clearly stated in its opinion on the second memorandum.²

Rapid exchange of information in cases of high levels of radioactivity

2.4.30. The Committee adopted *nem. con.* with one abstention an opinion on the draft proposal for a Council Decision on a Community system of rapid exchange of information in cases of unusually high levels of radioactivity or of a nuclear accident.³ The Committee approved the principle of such a system, but considered that the Commission's draft should be amended to make it more effective. It also felt that the system should be supplemented without delay by a scheme for mutual assistance in the event of a nuclear accident or radiological emergency. The roles and responsibilities of the Commission, the Member States and the International Atomic Energy Agency should be clearly defined here.

European Investment Bank

Operations in January and February

2.4.31. Loans totalling 639.9 million ECU⁴ for investments within the Com-

munity were announced by the European Investment Bank in January and February — 351 million in Italy, 112.4 million in France, 82.7 million in Greece, 48.2 million in Germany, 44.3 million in the United Kingdom and 1.3 million in Denmark. Of this total, 21.4 million ECU came from the resources of the New Community Instrument (NCI).⁵ Outside the Community the Bank lent 17.4 million ECU to ACP States under the third Lomé Convention and 3.1 million to Jordan under the financial protocol between the Community and Jordan.

Community

Italy

2.4.32. In Italy LIT 507 900 million, including LIT 31 000 million from NCI resources, was granted mainly for investments in the energy sector, which received LIT 440 000 million.

The LIT 100 000 million granted to Ente Nazionale per l'Energia Elettrica (ENEL) will be used to extend the low, medium and high voltage transmission and distribution grids in Campania, Basilicata, Calabria and Sardinia. The project involves 180 km of line between Taranto and Laino, 82 km between Presenzano and Garigliano, with links to the grids in the north and south, and the expansion and construction of substations serving the Naples conurbation, all part of the ENEL programme to develop its grid and coal-fired power stations in the Mezzogiorno. A further LIT 35 000 million will go towards building four hydroelectric power stations in Calabria (one in Celeste, two in Satriano and one in Palazzo), with a total capacity of almost 115 MW. These

¹ OJ C 240, 24.9.1986; Bull. EC 7/8-1986, point 2.1.213.

² OJ C 303, 25.11.1985; Bull. EC 9-1985, point 2.5.30.

³ OJ C 237, 19.9.1986; Bull. EC 7/8-1986, point 2.1.220.

⁴ The conversion rates at 31 December 1986 used by the EIB in statistics for the first quarter of 1987 were 1 ECU = BFR 43.23, DKR 7.86, DM 2.08, DR 148.53, ESC 156.38, FF 6.888, HFL 2.34, IRL 0.76, LFR 43.23, LIT 1 446, PTA 141.15, UKL 0.72, USD 1.07.

⁵ OJ L 298, 20.10.1978; Bull. EC 10-1979, point 2.1.10.

new facilities, one of which incorporates an old plant no longer in use, will help cope with peak demand without the need for recourse to oil products, thereby reducing Community dependence on imported oil and natural gas. The European Regional Development Fund is also contributing to this project.

Loans totalling LIT 160 000 million were made to AGIP: LIT 70 000 million for the development of three natural gas deposits in the Adriatic, off Marche and Emilia-Romagna, with reserves estimated at 42 500 million m³ and a potential annual output of 2 600 m³, i.e. roughly 20% of national output, from 1989 or 1990; and LIT 90 000 million for the development of the Vega oilfield off Ragusa and the Prezioso oilfield near Gela, both in the Sicilian Channel. The Vega field is the biggest so far discovered in Italy, with 41 million tonnes of recoverable reserves (60% of national reserves); when fully operational it should produce 2.8 million tonnes a year, more than doubling national output and stimulating the Sicilian petrochemicals industry and ancillary activities in the region. The Prezioso field should provide 1.2 million tonnes in the first phase of operation (1988-2000) and at least a further 3.5 million tonnes in the second phase, thereby also boosting national output and regional development.

A loan of LIT 80 000 million to SNAM will help strengthen the gas transmission and storage system in the north-west. These works, which will boost the use of natural gas and reduce oil consumption in accordance with Community objectives, includes the laying of a wide-bore pipeline between the Minerbio storage centre, near Bologna and Alessandria, at the centre of the Milan-Turin-Genoa triangle, a branch line between Chiasso and Poirino, north-east of Turin, and the conversion of an old partially exhausted field at Seltala 15 km east of Milan into a storage reservoir. LIT 50 000 million went to Italgas for the construction or extension of natural gas grids in Piedmont to provide or improve supplies to around 100 municipalities (more than 80 000 new users), mainly in the Turin area,

representing some 400 000 tonnes oil equivalent a year. A global loan of LIT 15 000 million to the Banca Nazionale del Lavoro (BNL) will help finance small and medium-scale investments aimed at rationalizing energy consumption in the Mezzogiorno and regions in the Centre-North eligible for regional aid.

Lastly, LIT 52 900 million will be spent on various infrastructure projects: LIT 31 000 million from NCI resources for the relaying of railway lines in Campania and Basilicata damaged by the 1980 earthquakes (under the provisions for Community aid this loan has a 3% interest subsidy from the Community budget); LIT 16 000 million for sewage collection and treatment works to reduce pollution in the River Po; and LIT 5 900 million for improvements to the Simbrivio-Tufano water supply system, which serves 57 municipalities, 380 000 inhabitants in south-east Rome and industrial areas in Latium.

LIT 15 000 million was also granted in the form of a global loan to BNL/Mediocredito for the financing of small and medium-scale industrial and service ventures in the Centre-North.

France

2.4.33. Loans totalling FF 770 000 million were granted in France, including more than FF 670 million to Electricité de France (EdF) in line with the Community energy objectives, to help finance the construction of a link between the French and British power grids and the building of the Flamanville nuclear power station near Cherbourg.

The equivalent of more than FF 440 million is to be spent on the cross-Channel link, which will increase operating flexibility and enhance security of supply. Carried out jointly by EdF and the Central Electricity Generating Board, the project involves laying eight high-voltage cables with a total capacity of 2 000 MW over 45 km of the seabed, extended by technologically more conventional land cables. These cables will

ensure continuity of supply between two AC/DC conversion stations, one near Calais and the other near Dover, and provide a reliable and efficient link between the two grids. This loan brings the total funds loaned by the Bank to EdF for this major facility since 1983 to over FF 1 100 million. The CEEGB for its part has received UKL 120 million.

Over FF 230 million has also been granted for the construction of phases I and II of the Flamanville nuclear power station near Cherbourg, Manche. It is to be equipped with four 1 280 MW pressurized water reactors and a turbo-generator set. The two phases under construction should produce an estimated 3.5 million toe a year. The EIB has already loaned nearly FF 1 300 for this facility since 1983.

FF 100 million lent to the Caisse Centrale de Crédit Coopératif (CCCC) will be onlent for small and medium-scale investments in the French fishing industry in coastal regions eligible for the regional development premium. The CCCC will use this global loan for business investments: the purchase or modernization of fishing vessels, the construction of refrigerated warehouses, the processing of fishery products. Also eligible for financing are infrastructure and equipment projects associated with sea fishing carried out by local authorities and public corporations in regions where the rate of unemployment is appreciably higher than the national average. The EIB thus helps finance measures for restructuring, modernization and development implemented by the French authorities under the Community fisheries policy.

Greece

2.4.34. Loans totalling DR 11 500 million were granted in Greece, DR 6 800 million in the production sector and DR 4 700 million for infrastructures.

The DR 6 800 million went to the Agricultural Bank of Greece in the form of a global loan for onlending, in agreement with the

EIB, to support small and medium-scale industrial and agri-industrial investments and on-farm investment to boost productivity (buildings, machinery, small-scale irrigation).

DR 2 500 million lent to the Hellenic Railways Organization will be spent on modernizing the Athens-Thessaloniki-Idomeni line by laying a second track and improving the existing track between Inoi and Tithorea and between Domokos and Larisa. DR 1 200 million will help finance the construction and equipping of technical training centres in Piraeus, Kavala and Thessaloniki, in order to enhance the skills of industrial workers. The remaining DR 1 000 million will be used to implement 16 schemes involving the construction or upgrading of various stretches of road in central and northern Greece.

Germany

2.4.35. In Germany, continuing its support for the adaptation of conventional power stations to bring them into line with the new legislation on the environment, the EIB lent DM 100 million for the construction of a coal-fired electricity- and heat-generating station in Hanover to replace units belonging to Volkswagen, Continental Gummi and Stadtwerke Hannover, which do not meet the new standards. The two firms and the city of Hanover have joined forces to build and operate the station, which will be equipped with the latest flue-gas treatment equipment, thereby substantially reducing atmospheric pollution. The plant will comprise two identical coal-fired steam generators producing a total of 415 MW of heat and 218 MW of electricity.

United Kingdom

2.4.36. In the United Kingdom loans totalling UKL 31 million were granted to finance infrastructure investments to boost regional development in the West Midlands, the Cardiff area and Tayside in Scotland, all

regions where the traditional industries are in decline.

UKL 20 million will go towards implementation of a large integrated land drainage and sewerage system covering the upper reaches of the River Tame in the West Midlands urban area. The system will meet increased industrial, commercial and domestic requirements by improving sewerage facilities, providing flood protection and reducing the heavy pollution in the River Tame. UKL 6 million is for improving access to industrial sites and rehabilitating derelict areas in the docklands of South Cardiff. Works include the refurbishing of buildings for use as workshops and offices, the building of factory and workshop units on a technology campus and the construction of a dual carriageway linking central Cardiff with the future peripheral distributor road. A loan of UKL 5 million will be spent on road construction and a water supply and sewerage scheme to facilitate industrial and commercial development in Tayside.

Denmark

2.4.37. In Denmark DKR 10 million was lent by the Bank for the connection of the Hornslet district heating grid to the Aarhus regional heat transmission system and for extensive additions to the existing distribution grid. These investments will help rationalize energy consumption through the replacement of some 600 individual oil-fired boilers and of the Hornslet oil-fired heat station. There will also be a positive spin-off effect on the environment.

Outside the Community

Mediterranean countries

2.4.38. In Jordan the EIB lent 3.1 million ECU to the Jordan Cooperative Organization for sheep-fattening units to boost domestic meat production in line with government policy to encourage greater agricul-

tural self-sufficiency. The units will have an overall capacity of 36 000 lambs a year. Situated in the north-west and centre-west of the country the units will also operate as service centres dispensing animal feed, veterinary drugs and technical advice to encourage local sheep farmers to introduce more modern farming methods.

ACP States

2.4.39. The EIB lent 6.5 million ECU, including 2.5 million ECU from risk capital, for extending the water supply system in Lilongwe, the capital of Malawi. The project comprises the construction of a new 4.5 million m³ storage dam, 6 km downstream from the Kamuzu dam, which is to be repaired at the same time, and the first phase of a new 32 000 m³ per day water treatment plant. Four booster pumping stations, ground reservoirs and 53 km of transmission mains will complete the project. The aim is to satisfy demand up to 1997.

2.4.40. In Kenya the EIB advanced 6 million ECU for the selective modernization and rehabilitation of berths and oil terminals in Mombasa. The project covers handling and storage facilities for bulk liquids, general cargo and containers. The investments to be financed, costed at 12.2 million ECU, include the repair, reinforcement and rehabilitation of storage areas and miscellaneous plant and equipment. Commissioning is scheduled for mid-1989. The new facility will shorten otherwise inevitable increases in ship waiting time and reduce freight costs. Mombasa is Kenya's and Uganda's sole seaport; it also serves parts of Rwanda, Burundi, Zaire and Sudan.

2.4.41. In Belize 3.5 million ECU, including 1 million from risk capital, was granted to the Development Finance Corporation of Belize (DFCB) for small and medium-scale ventures in industry, including agro-industry, and tourism: 2.5 million ECU from the Bank's own resources will go to support small and medium-scale investment pro-

jects; 500 000 ECU from risk capital was lent to the State to finance half its subscription to the increase in the DFCB's share capital, designed to boost its equity and increase its borrowing capacity; and a global loan of 500 000 ECU, also from risk capital, will enable the DFCB to acquire equity holdings in small and medium-sized enterprises and to finance feasibility studies.

2.4.42. In St Kitts-Nevis the EIB granted a loan of 1.5 million ECU from risk capital

to the Development Bank for financing small and medium-scale ventures in industry, including agro-industry, and tourism, either in the form of credit or for the acquisition of shares.

2.4.43. Finally, the EIB granted loans of 600 000 ECU to Liberia and 300 000 ECU to Guinea, both from risk capital, for a regional study on working the Nimba Mountains deposits near the frontier between the two ACP countries.

PART THREE

DOCUMENTATION

1. ECU

Values in national currencies of one ECU

27 February 1987 ¹	
Belgian franc and Luxembourg franc (convertible)	42.7960
Belgian franc and Luxembourg franc (financial)	43.2220
Danish krone	7.79971
German mark	2.06687
Greek drachma	151.559
Portuguese escudo	159.854
French franc	6.87828
Dutch guilder	2.33545
Irish pound	0.776410
Italian lira	1 469.89
Spanish peseta	145.352
Pound sterling	0.731849
United States dollar	1.12851
Swiss franc	1.73847
Swedish krona	7.30147
Norwegian krone	7.89055
Canadian dollar	1.50374
Austrian schilling	14.5330
Finnish mark	5.11554
Japanese yen	173.114
Australian dollar	1.66890
New Zealand dollar	2.01520

¹ OJ C 53, 28.2.1987.

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

February 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 8.62351 ³
German mark	2.41047 ⁴ 2.39792 ⁵ 2.38516 ⁶
Greek drachma	130.674 ⁷ 117.078 ³ 116.673 ⁶
Portuguese escudo	151.812 ² 162.102 ⁷
French franc	7.31248 ⁴ 7.58228 ³ 7.20771 ⁸ 7.20131 ¹ 7.09967 ² 7.54539 ^{9, 7}
Dutch guilder	2.71620 ⁴ 2.70178 ⁵ 2.68749 ⁶
Irish pound	0.817756 ¹ 0.782478 ² 0.821639 ³
Italian lira	1 539.00 ¹⁰ 1 562.00 ³ 1 554.00 ⁶
Spanish peseta	147.208 ¹ 145.796 ² 151.806 ⁷ 147.886 ³
Pound sterling	0.656636 ³ 0.635626 ¹ 0.626994 ² 0.668197 ⁹ 0.652575 ⁷

¹ For livestock products.

² For crop products.

³ For pigmeat with effect from 16 February 1987.

⁴ For milk and milk products.

⁵ For cereals.

⁶ For other products.

⁷ For sheepmeat and goatmeat.

⁸ For wine.

⁹ For beef/veal.

¹⁰ 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 7/8-1986

Point 2.1.36

Proposal for a Council Decision revising a research programme to be implemented by the Joint Research Centre for the European Atomic Energy Community and for the European Economic Community (1984-87)

OJ C 41, 19.2.1987

Point 2.1.68

Commission Decision of 29 July 1986 on aid proposed by the Rheinland-Pfalz *Land* Government for a metalworking firm in Betzdorf

Commission Decision of 29 July 1986 on aid proposed by the Rheinland-Pfalz *Land* Government for a fibre processing firm in Scheuerfeld

OJ L 40, 10.2.1987

Bull. EC 9-1986

Point 1.3.1

Joint implementation of the integrated Mediterranean programme for the island of Crète

OJ C 35, 13.2.1987

Points 2.4.20 to 2.4.38

Opinions adopted by the Economic and Social Committee during its session on 17 and 18 September 1986

OJ C 328, 22.12.1986

Bull. EC 10-1986

Point 2.1.49

Proposal for a Council Regulation relating to a research and development coordination pro-

gramme of the European Economic Community in the field of medical and health research (1987 to 1989)

OJ C 50, 26.2.1987

Bull. EC 11-1986

Point 2.1.228

Proposal for a Council Regulation on access to the market for the carriage of goods by road between Member States

OJ C 65, 12.3.1987

Point 2.2.8

Council Decision of 3 November 1986 concerning the conclusion of the Agreement in the form of an Exchange of Letters between the European Economic Community and the United States of America on the Mediterranean preferences, citrus and pasta¹

OJ L 62, 5.3.1987

Bull. EC 12-1986

Points 1.4.1 to 1.4.11

'Europe against cancer' programme:

Proposal for a plan of action 1987 to 1989

Proposal for a Council Decision on informing the general public and the training of members of the health professions

Proposal for a Council Decision adopting an action plan, 1987 to 1989, on informing the general public and training of the health professions in the context of the programme 'Europe against cancer'

OJ C 50, 26. 2. 1987

Point 2.1.17

Council Directive of 22 December 1986 on the approximation of the laws of the Member States relating to self-propelled industrial trucks

OJ L 384, 31.12.1986

¹ Rectified on 24.2.1987.

Point 2.1.19

Council recommendation of 22 December 1986 on fire safety in existing hotels
OJ L 384, 31.12.1986

Point 2.1.20

Commission Directive of 8 December 1986 on the approximation of the laws of the Member States relating to procedures for the control of characteristics of, limits for and resistance to detonation of straight ammonium nitrate fertilizers of high nitrogen content
OJ L 38, 7.2.1987

Point 2.1.71

Commission Decision of 6 November 1986 concerning the conclusion of an Agreement for cooperation in the field of controlled thermonuclear fusion between the European Atomic Energy Community and the United States Department of Energy by the Commission for and on behalf of the said Community
OJ L 46, 14.2.1987

Point 2.1.76

Council Decision of 22 December 1986 on standardization in the field of information technology and telecommunications
OJ L 36, 7.2.1987

Point 2.1.97

Commission Decision of 12 December 1986 relating to a proceeding under Article 85 of the EEC Treaty (IV/31.356 — ABI)
OJ L 43, 13.2.1987

Point 2.1.102

Commission Decision of 15 December 1986 in proceedings under Article 85 of the EEC Treaty (IV/31.302 — Boussois/Interpane)
OJ L 50, 19.2.1987

Point 2.1.103

Commission Decision of 15 December 1986 relating to a proceeding under Article 85 of the EEC Treaty (IV/31.458 — X/Open Group)
OJ L 35, 6.2.1987

Point 2.1.104

Commission Decision of 17 December 1986 relating to a proceeding under Article 85 of the EEC Treaty (IV/31.340 — Mitchell Cotts/Sofiltra)
OJ L 41, 11.2.1987

Point 2.1.138

Council Resolution of 22 December 1986 on an action programme on employment growth
OJ C 340, 31.12.1986

Point 2.1.160

Council Decision of 22 December 1986 instituting a consultation procedure and cooperation in the field of tourism

Council recommendation of 22 December 1986 on standardized information in existing hotels
OJ L 384, 31.12.1986

Council Resolution of 22 December 1986 on a better seasonal and geographical distribution of tourism
OJ C 340, 31.12.1986

Point 2.1.190

Council Directive of 22 December 1986 amending Directive 75/439/EEC on the disposal of waste oils
OJ L 42, 12.2.1987

Point 2.1.193

Council Directive of 22 December 1986 on the limitation of noise emitted by hydraulic excavators, rope-operated excavators, dozers, loaders and excavator-loaders
OJ L 384, 31.12.1986

Point 2.1.205

Council Directive of 22 December 1986 for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit
OJ L 42, 12.2.1987

Point 2.1.288

Commission Decision of 23 December 1986 relating to the specific programme concerning the processing and marketing of fish and fish products in

Belgium for the period 1986 to 1990 forwarded by Belgium, pursuant to Council Regulation (EEC) No 355/77

OJ L 49, 18.2.1987

Point 2.2.1

Council Decision of 22 December 1986 on import quotas to be opened by Member States in respect of State-trading countries in 1987

OJ L 31, 2.2.1987

Bull. EC 1-1987

Point 2.1.40

Proposal for a Council Directive amending for the third time Directive 83/181/EEC determining the

scope of Article 14 (l)(d) of Directive 77/388/EEC as regards exemption from value-added tax on the final importation of certain goods

OJ C 53, 28.2.1987

Point 2.1.49

Council Directive of 26 January 1987 on aid to shipbuilding

OJ L 69, 12.3.1987

Point 2.2.27

Information on the entry into force of the 1986 International Cocoa Agreement

OJ L 69, 12.3.1987

3. Infringement procedures

Initiation of proceedings for failure to implement directives

3.3.1. In February 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 common provisions for lifting and mechanical handling appliances¹ (Germany, Italy, Netherlands).

Employment, education and social policy

Council Directive of 28 July 1982 on the protection of workers from the risks related to exposure to metallic lead and its ionic compounds at work² (first individual Directive within the meaning of

Article 8 of the Council Directive of 27 November 1980³), (Belgium, Greece, France, Ireland, Italy, Luxembourg, Netherlands).

Agriculture

Second Commission Directive of 6 November 1985⁴ amending the Annex to the Council Directive of 30 June 1982 concerning certain products used in animal nutrition⁵ (Belgium, Greece, France, Italy, Netherlands).

Transport

Council Directive of 16 December 1980 on future cooperation and mutual assistance between the Member States in the field of air accident investigation⁶ (Greece).

¹ OJ L 300, 19.11.1984.

² OJ L 247, 23.8.1982.

³ OJ L 327, 3.12.1980.

⁴ OJ L 314, 23.11.1985.

⁵ OJ L 213, 21.7.1982.

⁶ OJ L 375, 31.12.1980.

Council Directive of 4 October 1982 laying down technical requirements for inland waterway vessels¹ (Germany, Netherlands).

Energy

Council Directive of 4 May 1976 regarding a Community procedure for information and consultation on the prices of crude oil and petroleum products in the Community² (Greece).

Reasoned opinions

3.3.2. The Commission delivered reasoned opinions (the Commission not having been informed of national implementing measures) in the following cases:

Internal market and industrial affairs

Council Directive of 28 March 1983³ amending the Council Directive of 27 July 1976 on the approximation of the laws of the Member States on clinical mercury-in-glass, maximum-reading thermometers⁴ (Germany, Italy).

Commission Directive of 18 July 1984⁵ adapting to technical progress the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to clinical mercury-in-glass, maximum-reading thermometers⁴ (Germany, Italy).

Council Directive of 18 December 1984⁶ amending the Council Directive of 20 December 1979 on the approximation of the laws of the Member States relating to units of measurement⁷ (Italy).

Council Directive of 18 December 1984⁸ amending the Council Directive of 19 December 1974 on the approximation of the laws of the Member States relating to the making-up by volume of certain prepackaged liquids⁹ (Italy).

Commission Directive of 31 January 1985¹⁰ adapting to technical progress the Council Directive of 19 November 1973 on the approximation of the laws of the Member States relating to material measures of length¹¹ (Germany, Italy).

Agriculture

Council Directive of 19 July 1982¹² amending Annex II to the Council Directive of 23 November 1973 relating to the fixing of maximum levels for

pesticide residues in and on fruit and vegetables¹³ (Belgium).

Council Directive of 18 April 1983 on the fixing of guidelines for the assessment of certain products used in animal nutrition¹⁴ (Greece).

Environment and consumer protection

Council Directive of 26 September 1983 on limit values and quality objectives for cadmium discharges¹⁵ (Belgium).

Fourth Commission Directive of 22 September 1983¹⁶ adapting to technical progress Annex VI to the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products⁴ (France).

Council Directive of 26 October 1983¹⁷ amending for the third time the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products⁴ (France).

Council Directive of 2 April 1979 on the conservation of wild birds¹⁸ (Netherlands).

3.3.3. The Commission delivered reasoned opinions in the following cases:

Internal market and industrial affairs

Safety standards for electrical household appliances, computers and television receivers (Spain).

Requirement of authorization in respect of products liable to be the subject of government procurement (Ireland).

Restrictions on freedom to provide television services (Netherlands).

¹ OJ L 301, 8.10.1982

² OJ L 140, 28.5.1976.

³ OJ L 91, 9.4.1983.

⁴ OJ L 262, 27.9.1976

⁵ OJ L 228, 25.8.1984.

⁶ OJ L 2, 3.1.1985.

⁷ OJ L 39, 15.2.1980.

⁸ OJ L 4, 5.1.1985

⁹ OJ L 42, 15.2.1975.

¹⁰ OJ L 54, 23.2.1985.

¹¹ OJ L 335, 5.12.1973.

¹² OJ L 234, 9.8.1982.

¹³ OJ L 340, 9.12.1976.

¹⁴ OJ L 126, 13.5.1983

¹⁵ OJ L 291, 24.10.1983.

¹⁶ OJ L 275, 8.10.1983.

¹⁷ OJ L 332, 28.11.1983.

¹⁸ OJ L 103, 25.4.1979.

Competition

Insurance of public property (Greece).

Agriculture

Importation of feed grain, maize and barley; management of markets by Kydep (Greece).

Customs union and indirect taxation

Rules governing excise duties on beer (Belgium, Ireland, Italy, Luxembourg, Netherlands, United Kingdom).

Taxation of imports of second-hand goods having the effect of double taxation (Belgium, Denmark, Germany, France, Ireland, Italy, Luxembourg, United Kingdom).

4. Application of the Code of Conduct by Community companies with subsidiaries in South Africa

Sixth summary analysis
1 July 1984—30 June 1985

Introduction

3.4.1. The period under review was the last full reporting period before the introduction of the revised Code on Conduct, which was approved by Community Foreign Ministers in November 1985.¹ References in this report to the Code are accordingly to the text adopted in September 1977. It is anticipated that the subsequent period, from July 1985 to June 1986, may be of a transitional character, with most companies reporting in line with the revised format, but some (owing to the timing of the revision) following the original format.

3.4.2. From mid-1984 to mid-1985 the labour market in South Africa was characterized by high and rising unemployment, an easing of the shortage of skilled labour in some sectors, and some relaxation of the entrenched statutory restrictions on the occupational and geographical mobility of black workers.

3.4.3. With the ending of a minor boom in the economy in the first half of 1984, unemployment began to rise again in South Africa. Among black workers, official figures put unemployment at over half a million by the end of 1984, or 8% of the black working population, but in reality the level

was probably much greater and included considerable long-term structural unemployment.

3.4.4. South Africa's shortage of skilled labour became less severe with the ending of the mini-boom. The number of black apprentices under training dropped slightly in 1984, despite the high priority the South African Government attaches to training on a non-racial basis. In other respects black workers continued to face restrictions on their advancement within the economy, notably in the mines, where statutory reservation of some important jobs for whites continued, and in the provisions of some closed-shop agreements. Improvements, however, did occur in 1984/85. There was easing of section 10 of the Urban Areas Act of 1945 (since repealed), which governed the movement of blacks into urban areas, and the coloured labour preference area in the Western Cape was abolished.

3.4.5. Contract migrant labour remained a prominent feature of the labour market. The overall number of migrant workers appeared, however, to be declining. The declared aims of some European companies to improve accommodation and living conditions for their migrant workers were partly frustrated by a South African administrative ceiling of 3% on the percentage of migrants able to live with their families at a mine. But improvements, such as simpler administrative procedures

¹ Bull. EC 11-1985, point 3.4.1.

for the recruitment and retention of workers, continued to be made in the period under review.

3.4.6. The influence of black trade unions increased during 1984/85, as evidenced by the larger numbers of companies reporting that they had signed recognition and negotiating agreements. The old forms of representation for black workers—works councils and liaison committees—nevertheless continued, often operating side by side with trade union structures. Overall trade union membership grew during 1984/85, despite the onset of economic recession. Of the 1.9 million trade union members by the end of 1985, probably nearly 800 000 were black Africans belonging to independent unions (some important black labour sectors, such as farming and domestic service, were outside the ambit of the Labour Relations Act and difficult for unions to organize). Trade unions made greater use of the statutory dispute-settling machinery. For example, in 1985 the number of applications for conciliation boards nearly doubled over the previous year. But concurrently unions showed greater militancy than in the year before. There were fewer strikes but more man-days lost through industrial action in 1985 than in 1984. Following strikes in 1984/85 there were some cases of mass dismissals. Security legislation continued to be applied to strike organizers and prominent trade unionists were detained following a two-day stay-away in the Transvaal in November 1984.

3.4.7. A larger and more militant trade union movement did not prevent the incomes of low wage earners in South Africa falling in real terms during 1984/85. The reporting period was characterized by economic recession in which, according to both academic and private consultancy surveys, wage rates generally failed to keep pace with an increase of nearly 16% in the Consumer Price Index.

3.4.8. Unions broadened the scope of their negotiations with companies. A prominent issue in management/union talks, particularly in the engineering and metals industry, was the level at which bargaining should take place: the unions pressed for more plant-level bargaining as a supplement to the (industry-wide) industrial-council bargaining favoured by employers. A landmark industrial court decision during 1984/85, *Hart v MAWU* (Metal and Allied Workers' Union), confirmed the voluntary nature of plant-level bargaining, but more and more companies were prepared to bargain at this level. Against the background of rising unemployment and limited State social benefits, labour organizations turned their attention to the negotiation of social benefits and retrenchment provisions directly with companies. Health and safety emerged as an important industrial relations issue, particularly following the entry into force in late 1984 of the Machinery and Occupational

Safety Act. This extended protection to all in employment and not just those in factories and on building sites, as had been the case under the earlier Act. It also introduced a new level of employee representation by providing for the appointment of safety representatives and safety committees.

3.4.9. Of the reports submitted under the South African Protection of Businesses Act of 1978, none failed to pass the South African clearance procedure.

Analysis of the reports

3.4.10. The sixth Presidency report on the implementation of the Code of Conduct covers the period 1 July 1984 to 30 June 1985. Details of the numbers of companies reporting, and of black African employees, are given below:

	Number of company reports analysed	Number of black African employees
Belgium	2	19
Denmark	2	173
Germany (FR)	68	18 300
France	not stated	1 629
Greece	2	39
Italy	2	1 000
Netherlands	17	4 195
		(in 16 of the companies)
United Kingdom	135	95 800

3.4.11. The total number of companies covered by the report is in excess of 228, and the number of black African workers concerned is around 120 000. No companies in Ireland or Luxembourg submitted reports under the Code.

Relations within firms

3.4.12. As a whole, European companies reported increased levels of cooperation with trade unions having black African members, while also acknowledging the continued importance of liaison committees and similar consultative mechanisms.

3.4.13. The German companies accepted the principle that employees should have a free choice concerning the form of their representative body. Forty-four companies, with 73% of all employees, had informed their personnel of their willingness

to cooperate with trade unions. The same number of companies, employing 74% of the total workforce, reported extensive cooperation with trade unions with black African members. Twenty-two of these, employing the majority of black African workers in German companies, stated that this cooperation was based on written agreements, while in the other 22 cooperation was on a non-contractual basis.

3.4.14. UK companies' reports gave evidence of increased dealings with unions representing black workers and of willingness to recognize such unions. There were formal union recognition agreements with 69 companies, and 32 other companies reported some kind of informal dealings with unions. Nearly a third of the companies covered by the UK report stated that their black workers were represented by trade unions in the industrial council system, and an increased number of companies covered by agreements at this level were ready to negotiate supplementary agreements at plant level.

3.4.15. The Dutch companies all believed that employees should be free to choose the means of negotiation with their employer, and all expressed their willingness to negotiate with black trade unions, whether registered or not. Six companies reported direct contact with black unions, and a further two had contact through the industrial council system. Seven Dutch companies had organized some form of consultative structure; in five of these this was in addition to contracts with black unions.

3.4.16. All the French companies reported some form of consultation with their black employees, with one company having an agreement with a union. Both the Danish companies recognized the right of black Africans to membership of a regular trade union, and one of the Italian companies had been involved in bargaining on wage levels and working conditions.

The two Greek companies pointed out that in the sectors concerned either there were no trade unions or their employees had not yet expressed the wish to join one.

3.4.17. According to the reports which gave figures, liaison committees, or something similar, were in operation in 76 UK companies, 35 German companies, 7 Dutch companies, 3 French companies, and both Danish companies.

Migrant labour

3.4.18. The Code recommended that companies should contribute towards ensuring the freedom of movement of black African workers and their

families, and should in the mean time alleviate as much as possible the effects of the existing system.

3.4.19. The majority of European companies stated that they did not use migrant labour. Only four of the Dutch companies reported the employment of migrant workers, and in three of these the number involved was small. The majority of French companies also reported that migrant workers were not employed. Again, only one of those which used migrant labour did so on a significant scale, and reported efforts to keep down the numbers involved. Neither Greek company reported the use of migrant labour, while both Italian and both Danish companies stated that migrant workers were not employed.

3.4.20. While the number of German companies employing migrant labour rose from 17 to 24, the actual number of workers involved dropped from 1 060 to 650. Most of these workers were employed in mining and assembly plants, in regions lacking a supply of local labour. Two companies situated in such regions accounted for 77% of all migrant workers employed by the German companies. The number of UK companies using migrant labour increased by one to 48, while the number of workers remained at around 11 000. Once more, the bulk of this figure (about 80%) was attributable to one company.

3.4.21. The companies which employed migrant labour reported a variety of measures taken to improve the employment conditions of those concerned. These included such additional benefits as extra paid holidays, improved accommodation (including housing for workers' families) and the provision of food and transport. Some of the companies concerned also took steps to ease the problems facing migrant workers in respect of their continued employment, either by facilitating the renewal of contracts, or by providing advice and support in their dealings with the authorities. There was a general recognition that migrant workers should enjoy the same rights as the permanent workforce.

Pay

3.4.22. The Code recommended that companies should formulate specific policies aimed at improving the terms of employment of their black African employees and that the minimum wage should exceed by at least 50% the minimum level required to satisfy the basic needs of an employee and his family.

3.4.23. A considerable majority of the employees of European companies were paid in accordance with this recommendation.

3.4.24. None of the employees of the German companies was reported as being paid below the Minimum Living Level. The reports of 43 German companies, with 71% of all employees, showed that the Minimum Living Level plus 50% was exceeded when the average household size was taken as four persons. The respective figures for households of five persons were 27 companies with 57% of all employees. Twenty-four companies, with 4 729 employees, indicated that the minimum wage was lower than recommended, or did not provide sufficiently precise information to permit assessment. Of the 95 800 black African employees of UK companies, 92.4% were paid above the Code's recommended minimum (or 'higher datum level'). Precise analysis was hampered by a few cases of sparse information.

3.4.25. In the Dutch national report, only seven black African employees were reported as being paid below the Minimum Living Level. One hundred and eighty-six black Africans, employed by seven companies, were paid below the Minimum Living Level plus 50% for a family of a man, his wife and four children. Two companies did not provide sufficiently precise information to contribute to these statistics.

3.4.26. The French companies reported that all employees were paid above the Minimum Living Level, and only a few were paid below the Code's recommendation. Both Danish companies reported that the wages of all their black African employees exceeded by more than 50% the minimum level required to satisfy the basic needs of an employee and his family. Neither the Greek nor the Italian reports gave specific details of numbers paid below the levels set out in the Code (although one of the Italian companies gave details of minimum hourly rates which suggested that the lowest wage rate would be above the Code's minimum recommendation). Furthermore, both Greek companies also reported that all their employees enjoyed the same rates of increase in their wages.

3.4.27. Some companies reported that the payment of wages in line with Code requirements would not be commercially viable, in the face of economic circumstances and local 'going rates'. But the margin by which employees were paid below the minimum recommended level was frequently small, with a number of companies revising their pay scales (especially for low paid workers) more than once a year.

Wage structure and black African advancement

3.4.28. The Code recommended that all jobs should be open to all appropriately qualified wor-

kers, irrespective of race, and that wages should be based on qualitative job evaluation. Employers were further urged to provide training for their black African employees and reduce their dependence on white immigrant labour.

3.4.29. Among European companies as a whole, there continued to be a widespread acceptance of the principles of equal pay for equal work, and of equality of job opportunity.

3.4.30. All the German companies embraced these principles. Forty-two companies, with 77% of all employees, reported that they applied objective job classification, free of any racial criteria, for all employees. One hundred and twenty-nine UK companies expressed unqualified acceptance of the principles, with three of the remaining six expressing qualified acceptance. All the companies covered by the Belgian, Danish, Dutch, French, Greek and Italian reports confirmed that rates of pay and employment opportunities were based on non-racial criteria.

3.4.31. In addition to embracing these principles, most companies took positive steps to improve the employment prospects of their black African employees. These included the provision of training, the promotion of black Africans to higher positions and the minimization of dependence on labour recruited from abroad.

3.4.32. A wide range of training methods were used by European companies, which could be roughly divided into three categories: on-the-job training, in-house training schemes (including apprenticeships) and external courses. Apart from on-the-job training, practised by all the German companies, further training for black African employees was provided by 35 German companies. Among other things, this included the training of apprentices, introductory courses and scholarships for training and further education at universities or technical colleges. One hundred and twenty-six UK companies provided training for black Africans, with 42 companies reporting increased training and the use of external courses. The larger Dutch and French companies provided internal training courses and the opportunity to follow external courses, while smaller companies' efforts were limited to on-the-job training.

Both Italian companies confirmed their commitment to the vocational training of black workers, and one had opened a training centre. Both Danish companies had organized educational programmes in order to enhance the skills of black employees.

3.4.33. Many of the UK and the majority of the German companies reported the promotion of black workers to supervisory and managerial positions. Most of the Dutch companies stated

that they tried to employ black workers in more responsible positions, and the Danish companies reported that promotions based on job-related qualifications had taken place.

3.4.34. The UK, Dutch and Danish reports indicated that most companies only recruited white employees from abroad when it was not possible to find suitable candidates in South Africa.

Fringe benefits

3.4.35. The Code recommended that companies should take steps to improve the living conditions of employees and their families.

3.4.36. European companies continued to provide a wide range of benefits for their black African employees, over and above those required by law. Both the German and the British reports pointed to increases in such provision during the reporting period. Among the various forms of benefit mentioned, the most prevalent were pension schemes, medical services and assistance with house purchase. The many other benefits included:

- (i) contributions to insurance schemes;
- (ii) annual bonuses;
- (iii) provision of clothing;
- (iv) recreational facilities;
- (v) free or subsidized transport;
- (vi) educational provision;
- (vii) free or subsidized food.

3.4.37. A number of companies also sought to provide benefits for the wider communities from which their workforces were drawn — for example, by donating to charity or to the Urban Foundation, or by providing various forms of support for universities.

Desegregation at places of work

3.4.38. The Code recommended that, as far as possible, companies should work towards the abolition of segregation within their undertakings.

3.4.39. European companies continued to work towards the complete elimination of racial segregation among their employees. The UK and German reports both showed increases in the number of companies which had achieved complete or partial desegregation of all facilities for their workers. Most of the Dutch companies reported that complete desegregation had been achieved, while all the German and French companies, and most of the UK companies had achieved total desegregation at the workplace itself. Both Italian companies continued to pursue desegregation at the workplace and in social amenities, and both Greek companies stated that conditions were the same for all personnel, with only the night watchman and cleaners having separate facilities in one of them. Both Danish companies reported that all racial groups enjoyed equal working conditions and facilities and that the companies adhered to the policy of avoiding any form of segregation at their places of work, to the extent that this was allowed by South African law. None of the Belgian companies practised segregation.

3.4.40. Further measures aimed at facilitating complete desegregation involved the establishment of mixed sports clubs and the organization of mixed staff social evenings.

Conclusion

3.4.41. The Presidency is accordingly able to report that during the sixth reporting period generally good progress was made in line with the Code's aims, despite the difficult economic climate.

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Price 1987 (excluding VAT) in Luxembourg

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Last published Index 1984



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CB-AA-87-002-EN-C