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PART ONE

SPECIAL FEATURES

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References in text and footnotes

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

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

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

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

1. London European Council

1.1.1. The European Council opened in the late afternoon of Friday 5 December at the Queen Elizabeth II Conference Centre in London with Mrs Margaret Thatcher, the UK Prime Minister, in the chair. It was attended by all the Heads of State or Government, the Foreign Ministers of the 12 Member States, Mr Delors, President of the Commission, and Mr Natali, Vice-President of the Commission. It closed a little before 3 p.m. on Saturday 6 December.

The Commission produced four memoranda for the Heads of State or Government on short-term economic prospects in Europe and the world at large, Community measures on behalf of small business and the labour market, the achievement of an area without frontiers (the Commission gave a report on progress geared to the 1992 deadline) and the Europe against cancer programme (proposals were promised for the end of the year) (→ point 1.4.1 *et seq.*).

Unfortunately, the European Council failed to touch on the '*grand rendez-vous*', to use the phrase coined by Mr Delors—the debate on the closely interrelated problems of vital importance of the Community's future: reform of the common agricultural policy, economic and social cohesion, and the financing of the Community, all prerequisites for achievement of the objectives of the Single European Act. Mr Delors briefed the Heads of State or Government on the gravity of the situation and on the discussions set in hand by the Commission; he was asked by the European Council to tour the Community capitals to report further on the problems involved.

However, the European Council provided 'impetus' to help settle some outstanding questions, including agriculture (→ points 1.2.1 and 1.2.2), the financing of the framework programme for research and technological development and the financing of the Erasmus programme.

It also took note of a number of priorities of key importance to the development of the Community and implementation of the Single Act. The first is economic and social

cohesion, which occupies a leading place in the conclusions of the Presidency. The second is cooperative growth strategy: under the heading 'The challenge' the European Council reaffirmed the commitment made at The Hague to such a strategy. The third is the dialogue between the two sides of industry: in the section entitled 'An action programme for employment growth' the European Council 'welcomed the progress made in discussions at European level between the social partners and invited the Commission to continue its efforts to encourage this cooperation'.

Conclusions of the Presidency

Progress

1.1.2. The European Council noted that in the five years since their last meeting in London the Community has settled a number of difficult and divisive issues and has a record of solid achievements, notably:

- (i) the convergence of economic and technological policies,
- (ii) the accession of two Member States,
- (iii) the adoption of a common fisheries policy,
- (iv) the agreement on the Single European Act.

Single European Act

1.1.3. The Heads of State or Government noted that those Member States which have not already done so aim to ratify the Single European Act in time for it to enter into force on 1 January 1987.

Social and economic cohesion

1.1.4. The European Council recalled the Single European Act's provisions concerning social and economic cohesion and the Hague conclusions on the same subject.

In this context, the Council takes note of the Commission's intention to present proposals, after Mr Delors has visited Heads of States or Government, in accordance with the Hague commitment, in order to develop structural policies and to proceed with the reform of the Funds, as provided in the Single European Act.

The European Council urges the Council of Ministers to adopt the measures necessary to attain the aforementioned objective.

The European Council also notes the importance of cohesion in the implementation of the internal market and other Community policies.

The challenge: business and jobs

1.1.5. Economic and social progress and the constant improvement of the living and working conditions of the people of Europe are central goals of the Community. The Community must be a major force for growth in the 1980s and 1990s as it was in the 1960s.

The growth of business and enterprises and all productive activities is essential to tackle the scourge of unemployment, particularly long-term and youth unemployment.

To create the conditions for this, the Community must work to break down the remaining barriers to trade between Member States, reduce red tape and open up opportunities so that European enterprise can flourish in all Member States.

The European Council stressed the importance of the growing convergence of economic policy in all the Member States over the last four years. This has led to reduced inflation, now estimated by the Commission to be likely to fall to 3% in 1987, the lowest Community average for 20 years. Reduction in unemployment and convergence in living standards were less satisfactory.

Reduction in interest rates is desirable.

The European Council reaffirmed its commitment at The Hague to the cooperative growth strategy. It welcomed the priority being given to work aimed at helping to create the conditions for establishing non-inflationary growth and a substantial growth in employment, including measures:

- (i) to promote long-term prosperity and job creation through the completion of the internal market;
- (ii) to achieve sustained employment growth;
- (iii) to lighten regulations hampering business;
- (iv) to help small and medium-sized enterprises make a dynamic contributions to the creation of prosperity and jobs; and
- (v) to encourage productive investment.

The European Council invites the Economic and Finance Council to resume its consideration of the EMS in order to strengthen the convergence of economic policies and monetary stability in Europe.

The Council invited the President of the Commission to report quarterly to the Economic and Finance Council on progress being made in the cooperative growth strategy.

The European Council agreed that strengthening the open world trading system on the basis of a fair balance of rights and obligations is crucial to this strategy and to the future prosperity of both industrialized and developing countries. The Community played a leading role in the successful launch of the new round of multilateral trade negotiations. The success of those negotiations will increase opportunities for the Community export trade and will make an important contribution to growth and employment, not least in the key new service industries.

The Council called on Japan to take urgent and effective steps to ensure that imported goods are able to compete freely in the Japanese market and, in specific market sectors, to reduce the massive and still growing trade imbalance with the Community. It considered that the ending of discrimination of the type applied to imported alcoholic drinks would be a test case of Japan's willingness to open its markets to foreign competition. It invited the Council to conduct a thorough review of other actions to achieve a more balanced trading relationship and called on the Commission to identify other sectors in which action should be pursued to remove barriers to trading in the Japanese market.

The single large market

1.1.6. The European Council welcomed the steady acceleration of progress on the internal market over the last year, and looked forward to still faster progress when the Single European Act enters into force.

The Heads of State or Government noted the substantial results recently reached by the Internal Market Council which completed work on nine out of a package of thirteen measures proposed by the Presidency. They underlined the importance which they attached to completing the package by the end of the year. They asked the Member States concerned to lift their outstanding reserves on two items. On the two remaining items concerning public purchasing and standardization in the fields of information technology and telecommunications they agreed to instruct their Permanent Representatives to reach agreement before the end of the year. They considered that the completion of the package would be a clear signal to business of the Community's determination to complete the internal market by the end of 1992.

They called on the Agriculture Council to reach decisions on food law measures and veterinary and plant health measures currently before it.

They called for substantial further progress in the Transport Council towards:

- (i) a Community policy for civil aviation encouraging greater competition between airlines and improved services to their customers;
- (ii) measures to establish a common shipping policy for the Community, including the freedom to provide shipping services.

Heads of State or Government welcomed the further liberalization of capital transactions decided in November. They called for decisions next year:

- (i) to achieve the next phase of freer movement of capital throughout the Community;
- (ii) to make progress in opening up the market in financial services, including insurance, in the light of the judgments just given by the European Court of Justice;
- (iii) on mutual recognition of testing and certification;
- (iv) on the full arrangements for a single market in road haulage by 1992;
- (v) on the continued opening-up of public purchasing;
- (vi) on more internal market measures in the Agriculture Council; and
- (vii) on faster progress with the creation of a Citizens' Europe, including the freer movement of people and the mutual recognition of professional qualifications.

They noted that fiscal issues would be taken up again by the Council of Economic and Finance Ministers early in 1987 with a view to further progress.

Research and technology

1.1.7. The European Council urged Research Ministers, at their next meeting on 9 December, to reach agreement on the framework programme for Community action in research and technological development, an important step towards enabling the Community to reinforce the internal market and compete in the worldwide market for high-technology products.

They asked the Commission and the Council to make a special effort to secure agreement on standards and the commitment of operators necessary to enable Europe to compete in the development and marketing of digital cellular radio in the 1990s.

Encouraging enterprise

1.1.8. The Council welcomed the conclusions of the 20 October Industry Council on reducing regu-

lations on business and the steps taken by the Commission to assess the impact of all new proposals on business costs and jobs and similarly to review existing legislation.

The Council welcomed the setting up of the Commission task force on small and medium-sized enterprises to coordinate action to improve the environment for business.

The European Council also endorsed the principles of the Commission's proposals on help for small businesses, and in particular steps to:

- (i) improve the administrative environment and reduce the fiscal burdens for small firms;
- (ii) ensure that existing schemes operate effectively for small firms;
- (iii) help the setting up of new small firms;
- (iv) improve the access of small firms to new technology;
- (v) enable Member States to learn from each other's experience.

Heads of State or Government noted the agreement that has been reached to provide Community loans worth 1 500 million which will be available to small and medium-sized enterprises and will help them invest in new technology.

An action programme for employment growth

The European Council, noting the proposals made by the Commission and Member States in this area, emphasized the importance of Community action on jobs designed to:

- (i) encourage better training for both young people and adults;
- (ii) help the long-term unemployed back into jobs;
- (iii) promote the creation of self employment and of small and medium-sized firms;
- (iv) improve the workings of the labour market, including ways of increasing part-time and other flexible working patterns, providing better access to training for disadvantaged groups, and encouraging employment for such groups in inner city areas.

They called on the Social Affairs Council meeting next week to adopt an action programme for employment growth based on these priorities.

The European Council undertook to review progress at its next meeting.

The European Council welcomed the progress made in discussions at European level between the

social partners and invited the Commission to continue its efforts to encourage this cooperation.

Environment

1.1.9. The European Council noted that good progress had been made in protecting the environment through action within the Community and called for further progress. It emphasized that greater attention needed to be given to the effects on the Community of cross-border problems originating outside the Community's frontiers. It stressed the need to reach cross-border solutions both inside and outside the Community.

Travellers' allowances

1.1.10. The European Council noted the importance attached by several Member States to travellers' allowances. It called upon the December Council of Economic and Finance Ministers and the Commission to find solutions to these problems, taking into account the concerns of Member States as raised in this Council.

Erasmus

1.1.11. The European Council called for further consideration of the Erasmus student mobility programme with a view to reaching a decision at an early Council.

Community prospects for 1987

1.1.12. The President of the Commission briefed Heads of State or Government on the discussions set in hand by the Commission under the guidelines given by the European Council in Fontainebleau and by the Single European Act. He covered the financing of the Community, the CAP and the achievement of cohesion.

It was agreed that Mr Delors would visit Heads of State and Government to report on the Commission's work. In the mean time, work must continue and decisions be taken in the Council.

Safeguarding the open society

1.1.13. The European Council had a detailed discussion of how further to intensify their cooperation to combat terrorism, illegal immigration and drug trafficking. They agreed that concerted policies to deal with these problems were essential to the goal of achieving free movement within the Community as set out in the Single European Act.

Terrorism

1.1.14. They agreed that the following principles must govern their common fight against terrorism and those who sponsor terrorist acts:

- (i) no concessions under duress to terrorists or their sponsors;
- (ii) solidarity between the Member States in their efforts to prevent terrorist crimes and to bring the guilty to justice;
- (iii) concerted action in response to terrorist attacks on the territory of a Member State and to evidence of external involvement in such attacks.

The Heads of State or Government confirmed the decisions taken by the Twelve in response to evidence of State-sponsored terrorism. The Heads of State or Government welcomed the intention of the Governments of France, Greece and Ireland to ratify the European Convention on the Suppression of Terrorism.

Cooperation between security authorities

1.1.15. Heads of State or Government agreed that they must pool their resources to maximize their ability to prevent terrorist acts and to bring those responsible to justice. They agreed also to intensify their cooperation with like-minded countries, including members of the Council of Europe.

Asylum seekers

1.1.16. The Heads of State or Government underlined their continued willingness to give asylum according to their national legislation and treaty commitments. They agreed that asylum should not be granted for economic and financial reasons and that steps must be taken to counter abuse. They invited the relevant Ministers to concert action with a view to ensuring that the right of asylum is not abused.

Action by the relevant Ministers

1.1.17. The European Council asked Interior Ministers to concert:

- (i) arrangements for extradition; they welcomed the changes being made by the United Kingdom to its extradition laws which will enable it to adhere to the European Convention on extradition;
- (ii) measures to deal with the theft and forgery of passports;

- (iii) consideration of the role of coordination and possible harmonization of visa regimes in tightening controls at the Community's external frontiers;
- (iv) intensified cooperation on measures to prevent illegal immigration.

At the same time, the Community and the Member States will be examining what further action they can take to simplify frontier procedures within the Community, for the benefit of all their citizens.

In order to strengthen their defences against terrorism while making travel easier for the Community's citizens, they endorsed the action of relevant Ministers in setting in hand a study of how to strengthen controls at the Community's external frontiers. Heads of State or Government agreed to examine the progress made at their next meeting, determined that their solidarity in the face of the terrorist threat to the safety of their citizens should be put into practice at every level of cooperation.

Drugs

1.1.18. Heads of State or Government decided that the Community and the Member States must continue to contribute to the fight against drug abuse. They endorsed the seven-point action programme of work agreed by Interior Ministers and noted that agreement had been reached for the Community to participate as an observer in the 1987 UN Conference on Drugs.

They agreed on the need to work in close cooperation with the Council of Europe's Pompidou Group to:

- (i) cooperate to thwart and to prosecute those who criminally traffic in illegal drugs;
- (ii) coordinate legal action and, in particular, ensure that the assets of someone convicted of illicit trafficking in one Community country will be liable to confiscation throughout the Community;
- (iii) exchange drugs liaison officers between Community countries and continue posting such officers to other countries;
- (iv) intensify cooperation between police and customs authorities;
- (v) seek recommendations from Community ambassadors in drug-producing countries on further ways in which the Community can help;
- (vi) concern their contributions to the 1987 UN Conference;
- (vii) work closely with other friendly countries;
- (viii) draw on each other's expertise in the treatment and rehabilitation of drug addicts and work together to educate teachers, parents and children about the dangers of drug abuse.

Each Member State has its own problems and ways of dealing with them but there are lessons which will apply to all. The European Council called for a report to be made to the next European Council with recommendations for action by the Community and its Member States with particular reference to:

- (i) a list of products prohibited throughout the Community;
- (ii) harmonized criminal legislation on drug offences.

Public health

1.1.19 The European Council recalled that at their meeting in The Hague they had requested the Council of Ministers to reach agreement on an action programme against cancer, and agreed that 1989 should be designated European Cancer Information Year. The aim will be to develop a sustained and concerted information campaign in all the Member States on the prevention, early warning and treatment of cancer. They noted with appreciation the work of the Committee of Cancer Specialists which will shortly be reporting and undertook to follow up this report as soon as it becomes available.

The European Council expressed its concern about the rising incidence of AIDS. They noted the link that existed with the drug problem. They stressed the importance of coordinating national campaigns to improve public awareness and information about the disease and prevent its spread.

The European Council expressed its support for the work of the World Health Organization. They asked the Council of Ministers and the Commission to ensure through the appropriate machinery the effective Community-wide exchange of information about the spread of the disease, prevention and treatment and to consider what further cooperative measures should be taken by all the Member States. They agreed to consider also the scope for further cooperation in research. This matter should then be considered by Health Ministers.

Statement on Afghanistan

1.1.20. As the seventh year of Soviet occupation comes to a close, the European Council again draws attention to the very serious situation facing the people of Afghanistan and neighbouring countries.

Over 110 000 Soviet troops remain in Afghanistan to prosecute a bitter and repressive war. Their presence violates international peace and security

and endangers the stability of the region. Five million Afghans have been forced to flee the country. The Afghan people are still denied their freedom and independence. Large-scale violations of human rights in Afghanistan continue to engender massive suffering.

The European Council supports the United Nations Secretary General's search for a political settlement based on principles overwhelmingly endorsed by the international community. The Council again calls on the Soviet Union to agree to a rapid and complete withdrawal of its forces.

Statements and comments

1.1.21. At the end of the European Council Mrs Thatcher held the traditional press conference with Mr Jacques Delors, President of the Commission. She stressed the concrete, if not spectacular nature of discussions, describing the meeting as very constructive and very practical. It had proved two things: the Community's importance to the man in the street (as regards employment, the economy and freedom of movement); and the growing success of Community cooperation in the face of the threat of terrorism. This cooperation was to be extended to the fight against drug abuse and to public health.

Mrs Thatcher then ran through the main points contained in the conclusions and added that there had been a good discussion on East-West relations the previous evening. She said that Mr Delors had described how he saw his task and his duties as regards the financing of the Community, agriculture and cohesion. Before presenting proposals to a subsequent European Council, Mr Delors would tour the Community capitals putting forward a number of options for discussion.

Mr Delors welcomed the fact that the European Council had given fresh impetus to three issues which the Commission claimed the Council had neglected: the cooperative strategy for economic growth, the framework programme for research and technological development, and the Erasmus programme. He then outlined how he would approach the tour of Community capitals requested by the European Council.

Mr Wilfred Martens, the Belgian Prime Minister, stated that his country approved of the efforts to increase employment through wage restraint and deregulation, but he felt it was necessary to increase production, adopt a homogeneous economic and social strategy and promote technological development (the framework programme must be adequately funded).

Mr Jacques Santer, the Luxembourg Prime Minister, specifically supported the growth strategy advocated by the Commission. He would like to see a small business information centre set up at the Commission. He stated that, if the Single Act were to be effective, it would have to be applied in its entirety. Mr Ruud Lubbers, the Dutch Prime Minister, called for bolder measures for the liberalization of capital and transport, endorsed the Commission's ideas on economic strategy and stressed the importance of the social dialogue.

In the view of President Mitterrand, the major achievement of the London European Council was the remit given to the President of the Commission, which would allow progress to be made on issues of vital importance to the Community—finance, reform of the common agricultural policy, and economic and social cohesion. On the common agricultural policy in particular, he felt that the time was not yet ripe; no 'grand design' or 'grand ideas' had been proposed and the first half of 1987 would have to be spent trying to work out an agreement. On the political front, President Mitterrand acknowledged that events in Reykjavik had shown that Europe should take more interest in defence. He stated that the exchange of views on the situation in Iran had not led to any discussion of President Reagan's present position 'although this does not mean to say that it was not in people's minds'. As regards terrorism, he confirmed that France would be ratifying the Strasbourg Convention.

Mr Bettino Craxi, the Italian Prime Minister, was pleased that a firm decision had been taken on Erasmus and stressed the need for Europe, now only an 'eye-witness' in world politics, to become a 'political

entity' willing and able to act on the international scene. He regretted that the most important issues had been deferred. The Community was in limbo: time was needed to restore some balance to Europe's finances (since two thirds of the budget still went to agriculture), but it was essential to make some progress both in correcting internal imbalances and on the institutional front. Turning to political questions, Mr Craxi felt that something had to be done about the Middle East, where territories have now been occupied for 20 years. On the aftermath of Reykjavik, he stressed the imbalance which would result in Europe from the removal of nuclear weapons. Finally, Mr Craxi stated that a meeting between the Community and Comecon could be useful in order to assess new economic prospects.

Chancellor Helmut Kohl had no doubts that the most important question from the Community's point of view was future financing, involving both the budget problem and reform of the agricultural policy. The German Government considered that the agricultural policy should be recast, but the income of family farms safeguarded. The Chancellor stressed the progress made on the economic and social front; he felt that unemployment should be combated by means of the cooperative growth strategy advocated by the Commission and by greater flexibility and a boost to small business. He was pleased that the European Council had discussed problems which lay close to

his heart (environment, terrorism) and promised that his Government would take full advantage of the possibilities presented by the Single Act (which would be ratified in the very near future).

Mr Felipe González, the Spanish Prime Minister, felt that completion of the internal market would be possible only if economic and social cohesion were developed at the same time. He stated that Spanish imports from the rest of the Community had increased since accession. The real problem was unemployment: Spain would have to create 600 000 jobs in the next 10 years. Flexibility was not enough. On a similar note, Mr Andreas Papandreu, the Greek Prime Minister, said that unemployment was the major problem and described it as 'out of control'. The promotion of investment and demand and the convergence of economic policies were essential. He called on the Commission to draw up six-monthly reports on the trend in the standard of living and economic development. The Taoiseach, Dr Garret Fitzgerald, was pleased that the Presidency's conclusions stressed the need for completing the internal market and for opening up the transport sector. Mr Poul Schlüter pointed out that Denmark had created 250 000 jobs through its income policy; he felt that this should be adopted at European level. On behalf of Portugal, Mr Aníbal Cavaco Silva called for a coordinated economic strategy under the Commission's direction.

2. Council agreement on milk and beef/veal

1.2.1. After a 'marathon' meeting of Agriculture Ministers lasting from 8 to 16 December, the Council arrived at a general agreement on major reforms as regards milk and beef/veal.

That political agreement is doubtless one of the most important to have been reached since the introduction of the common agricultural policy and must be regarded as a second major step¹ towards the adjustment of the policy. It is in line with the Commission's proposals² and with the efforts which the Commission has deployed over the years in an attempt to improve the situation on agricultural markets and curb both overproduction and the budget costs arising from it.

Mr Michael Jopling (President), the United Kingdom's Minister for Agriculture, described the meeting as 'historic', adding that the Agriculture Ministers had shown that they could take the necessary measures to reform the CAP and would not leave the decision to others. By adopting the Commission's proposal to reduce milk production by 9.5%, the Council has shown that it can take drastic action. Perhaps no less important for the future is the breach which has been opened up in the system of permanent intervention for such sensitive products as milk and beef.

The changes to the intervention arrangements for those two groups of products will contribute significantly to restoring Community intervention's original role as a safety net (by way of a minimum market price). The measures taken are also a major step towards bringing the overall level of farm spending under control by 1989, a fundamental aspect of the discussions on the future financing of the Community.

In reaching its decisions the Council took particular account of the special characteristics of farming in certain Member States and of the need to mitigate the effect which the decisions would have on the incomes of farmers, especially small farmers. That too is the aim of the accompanying socio-structural measures which the Council has

undertaken to adopt before the end of February 1987.³

As regards the disposal of stocks, in particular of milk products, the Member States agreed that improving the present situation required the introduction of a forceful offtake programme and took note of the Commission's intentions in that respect. A proposal for a financial scheme in keeping with the current situation will be put before the Council. The Council's decisions are dealt with in greater detail in the 'Agriculture' section below (→ point 2.1.211 to 2.1.214 and 2.1.219 to 2.1.221).

Although of historic importance, the agreement reached on 16 December represents only one stage in the process of reform of the CAP. It is a provisional agreement, and the Council will continue to discuss the socio-structural measures and the changes in the permanent intervention arrangements for milk products with a view to reaching decisions before 28 February. Moreover, the measures adopted in the case of beef/veal are to apply only until the end of 1988, by which time the Council must decide on a final revision of that market organization. Lastly, the agreement is, as far as the Member States are concerned, linked to decisions which have yet to be taken regarding the disposal of stocks and vegetable oils and fats and to the negotiations which will take place with the Community's main trading partners.

None the less, what was achieved during the Council meeting is undoubtedly a success for the President, who at the beginning of the meeting took a calculated risk in merging milk, beef/veal, the socio-structural measures, the agri-monetary adjustments and the decisions on sheepmeat into

¹ OJ L 90, 1.4.1984; OJ L 103, 16.4.1984; OJ L 107, 19.4.1984; OJ L 113, 28.4.1984; Bull. EC 3-1984, point 1.2.1 *et seq.*

² Bull. EC 12-1985, point 2.1.154 *et seq.*; OJ C 254, 11.10.1986; Bull. EC 9-1986, point 2.1.103 *et seq.*; Bull. EC 11-1986, point 2.1.170.

³ OJ C 273, 29.10.1986; Bull. EC 4-1986, point 1.3.1 *et seq.*

a single package. The final agreement was, however, based on a compromise formula which had been tabled by the Commission and which on several points—beef/veal in particular—departed from the final document which the Presidency had drawn up in close cooperation with the Commission. Moreover it was the Commission which, together with the Member States concerned, found solutions to the specific problems raised by the Mediterranean countries regarding milk, beef/veal and sheepmeat.

Background

1.2.2. In 'Perspectives for the common agricultural policy', a Green Paper which it sent to the Council and Parliament on 23 July 1985,¹ the Commission drew the attention of the Member States to the need to reshape the CAP.

On 18 December 1985 the Commission laid out for the Council and Parliament its agricultural policy guidelines in a paper entitled 'A future for Community agriculture'² and undertook to put forward concrete proposals for adjusting, wherever necessary, the Community's market organizations and socio-structural measures in order to increase their effectiveness and make it easier to find a new balance.

Accordingly, when presenting the 1986/87 price proposals to the Council on 12 February 1986,³ the Commission described the adjustments which it wished to see introduced to the regulations on cereals and beef/veal.

Consideration had earlier been given to the introduction of a Community indemnity for the definitive discontinuation of milk production.⁴ Although the introduction of a quota system in March 1984⁵ had reversed the upward trend which milk production had followed in previous years, supply and demand were not matched, and on 19 September 1986 the Commission accordingly proposed a number of emergency measures

designed to adjust both the quota system and the intervention arrangements.⁶

In April 1986 a number of socio-structural measures designed to supplement and facilitate the application of the existing measures were proposed to the Council.⁷

Each of the proposals before the Council formed part of a whole and was in keeping with the guidelines set out in the Green Paper as regards adapting the CAP to present-day reality.

Going back to the 1986/87 price review,⁸ some of the decisions taken by the Council already meant substantial changes in Community rules, namely the introduction of a coresponsibility levy of up to 3% of the guide price in the case of cereals and the Council's decision to reduce the milk quotas by 3% (2% with effect from 1 April 1987 and a further 1% from 1 April 1988). The following points remained to be considered: the proposal to amend the market organization for beef/veal and the adjustments to the socio-structural measures.

Milk quotas and the coresponsibility levy for cereals were the first step towards adjusting the common agricultural policy, but they were insufficient on their own since they introduced no new measures in respect of holdings and did not offset the loss of income suffered by producers; moreover, they left unresolved the question of the disposal of existing stocks and deferred until some time before 31 December 1986 a decision by the Council on the problems on the beef/veal market. The political agreement reached on 16 December is the first stage in tackling these issues.

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

² Bull. EC 12-1985, point 1.2.1 *et seq.*

³ Bull. EC 2-1986, point 1.3.1 *et seq.*

⁴ Bull. EC 10-1985, point 2.1.102.

⁵ OJ L 90, 1.4.1984; Bull. EC 3-1984, points 1.2.4.

⁶ OJ C 254, 11.10.1986; Bull. EC 9-1986, point 2.1.103 *et seq.*

⁷ OJ C 273, 29.10.1986; Bull. EC 4-1986, point 1.3.1 *et seq.*

⁸ Bull. EC 4-1986, point 2.1.105 *et seq.*

3. Financial engineering at the service of Community action

1.3.1. In December the Commission sent the Council and Parliament an outline communication on financial engineering,¹ its first communication on the reasons for developing financial engineering on a Community scale and the significance of this activity. At the same time, it sent the Council a second communication, together with a proposal for a Council decision, on the financing of major infrastructure projects of European interest,² which represents the first practical step taken by the Commission in this field.

Outline communication on financial engineering

1.3.2. The Commission uses the term 'financial engineering' to describe action to promote the development of financial instruments which best meet the needs of firms, particularly small and medium-sized businesses, and which facilitate the financing of projects of particular interest to the Community, such as large-scale infrastructure projects or high-technology projects.

Why financial engineering on a Community scale? The Community finds itself in a new environment in which governments are keen to reduce their budgetary involvement and to cut back the role of the State, while funds available from private sources are plentiful. In addition, financial markets are experiencing rapid change and witnessing the emergence of a whole range of new instruments. This has led Member States to reshape their operations and instruments in order to adapt them more closely to requirements. At the same time, the growing interpenetration of economies produced by the efforts to achieve economic and financial integration in Europe is giving a European dimension to these developments.

The Commission therefore considers that an approach similar to that adopted in the Member States should be adopted at Com-

munity level by tailoring the supply of financial resources to transnational needs. It is the catalytic, multiplier and leverage effect which the Commission intends to bring to bear on private capital.

Mr Abel Matutes, the Member of the Commission with special responsibility for the development of financial instruments, commented as follows: 'Being subject to budgetary constraints similar to those experienced by the Member States, this new measure is not intended to expand sources of Community funding, whether of a budgetary nature or through borrowings; the aim is rather to re-examine the methods and instruments of Community action, with greater emphasis being placed on the spirit of initiative and the working of market forces'.

Commission action

1.3.3. The Commission's financial engineering activities would include the following specific measures:

- (i) mobilization of a lending capacity to expand the supply of finance for priority measures (small and medium-sized businesses);
- (ii) inducement to set up investment companies to improve the provision of equity capital (e.g. high-technology projects);
- (iii) assistance towards the establishment of a guarantee fund for the acquisition of temporary holdings (innovation projects);
- (iv) granting of a budget guarantee to convert conventional loans into non-recourse or limited-recourse loans (large-scale infrastructures);
- (v) provision of equity capital to prime the putting together of financial packages for large-scale projects;

¹ COM(86) 723 final.

² COM(86) 722 final.

(vi) assistance with the establishment of service agencies (financial services but also consultancy, help with setting up abroad, finding partners);

(vii) signalling of a political priority conferring a number of advantages ('declaration of European interest' for large-scale projects).

The thrust of the Commission's financial engineering activity

1.3.4. Three priorities are currently at the centre of the Commission's preoccupations: reviving the spirit of enterprise, industrial renewal and Community cohesion. On the basis of these priorities, three areas can be identified in which financial engineering is needed.

Reviving the spirit of enterprise: financing small business

1.3.5. The task here will be to continue and expand those measures already undertaken which are aimed at increasing the supply of loan funds (NCI IV) (→ point 2.1.4), providing access to credit for firms whose financial standing is too low to provide the guarantees required (development of mutual guarantee machinery), strengthening the capital base of small and medium-sized businesses (promotion of European venture capital) or providing them with the financial and other services they need in order to grow.

Industrial renewal: financing high technology

1.3.6. Equity capital is the best form of finance for projects that are situated midway between research and industrial application. However, the provision of equity capital is particularly difficult to organize if the project is the result of international cooperation and if it is a long way back in the chain which runs from research to industrial application.

To overcome this particular difficulty, the Commission has launched a number of new ideas, after verifying their relevance with the financial community and with industry. They relate to the setting up of investment companies (Eurotech Capital) with exclusively private capital, and the establishment of a guarantee scheme (Eurotech Insur) that would be publicly and privately funded and would back up the Eurotech Capital companies. The favourable response to these suggestions and the prospect of early establishment of the first Eurotech Capital company are opening the door to the institution of the guarantee scheme that would complete the machinery.

A contribution to Community cohesion: the financing of major infrastructure projects

1.3.7. The focus here is on major infrastructure projects of European interest, for which a large amount of capital has to be assembled in special forms and using special procedures.

The Commission, which sent a separate communication to the Council on this specific point (→ point 1.3.8 *et seq.*), intends to call for a redistribution of roles in the promotion, financing and management of such projects and for an improvement in the environment for private investors so as to facilitate and encourage the provision of private capital. The new role that the Community could play would be threefold:

- (i) to provide the requisite conditions for the emergence and launching of large-scale projects;
- (ii) to improve the environment for private investors; and
- (iii) to mobilize the market through a renewed form of Community assistance.

Financing major infrastructure projects of Community interest

1.3.8. Major infrastructure projects offer numerous benefits for the Community.

They contribute to the consolidation of the internal market and the integration of the peripheral regions; as a result of the snowball effect which they have on the development of those regions, they also help to make the Community more cohesive. There are major European projects (such as the Paris-Cologne high-speed train link, the Milan-Ulm railway link via the Spluga tunnel, the road and rail link with Scandinavia and the RACE broadband telecommunications network) which are generally recognized as being beneficial but which have encountered numerous difficulties as a result of the diversity of interests at stake, the high costs and the substantial risks involved.

In view of the financial situation in Europe (→ point 1.3.2) and of the support it has received from the Member States' Transport Ministers, the European Parliament and both sides of industry, the Commission intends to facilitate the financing of major infrastructure projects of European interest.

A role for the Community

Creating the right environment for major projects

Three aspects are involved:

Contributing to the preparatory phase of projects

1.3.9. This phase, which will demonstrate through appropriate studies whether a project is viable, will determine whether or not the private sector becomes involved, and is therefore essential to the success of the operation. Through a grant, albeit small, the Community can play a priming role and act as a lever for private finance.

The infrastructure concerned may be in the transport, telecommunications, energy or environment sectors.

Contributing to the financial launching of projects

1.3.10. Once the viability of a project has been demonstrated, and a decision taken to carry it out, the right financial package must be arranged before the work is started.

An equity contribution by the Community, reserved for projects declared to be of European interest, would have a priming role and act as a lever.

Publicly demonstrating their benefits: declaration of European interest

1.3.11. A declaration of European interest would give the project concerned, whose viability had been demonstrated, a special character and access to:

- (i) a Community contribution to the financial launching of projects (→ point 1.3.10);
- (ii) an improved financial environment; there should be freedom of movement within the Community for securities issued by promoters of major infrastructure projects, in order to make those securities more attractive to the public (the Council Directive of 17 November 1986 liberalizes such operations in Community law);¹
- (iii) specific assistance, in particular from the EIB.

Such a declaration would be made by the Commission after examining projects submitted to it either direct or through a Member State. Only projects having substantial recourse to private funds and complying with the objectives and criteria laid down by the Community programmes for the relevant fields would be eligible.

Mobilizing the market through new forms of Community assistance

1.3.12. EIB, NCI and ECSC loans require first-class guarantees which neither Mem-

¹ OJ L 332, 26.11.1986; Bull. EC 11-1986, point 1.1.1.

ber States nor promoters are willing or able to provide in certain cases. The Commission is therefore proposing that the Community should have new ways of providing back-up for projects declared to be of European interest. It is suggesting in particular that an appropriate guarantee should be given under the Community budget for specific EIB loans in order to allow the Community to provide assistance towards infrastructure projects using a technique partly akin to 'project financing'.

The EIB would be asked to offer non-recourse or limited-recourse loans to the promoters of projects declared to be of European interest. Repayment of the loans would be backed solely by the revenue from the project.

The budget guarantee would be limited and conditional. It would be granted case by case by the Commission up to an overall ceiling set by the Council, which would decide to raise it on a proposal from the Commission.

4. Europe against cancer

1.4.1. If the increase observed in recent years were to continue, by the year 2000 one European in three would be stricken by cancer at some time in his life, as against one in four at present. On the credit side, long-term survival or complete cure can now be achieved in nearly half the cases, whereas scarcely one quarter of patients were cured in 1950.

In view of this situation the Commission felt obliged to take appropriate action after the European Council, at its meetings in June 1985 in Milan,¹ December 1985 in Luxembourg² and June 1986 in The Hague,³ stressed the importance of launching a European programme against cancer. In January 1986 the Commission therefore

European infrastructure agencies

1.3.13. Even if all the proposed measures were adopted, this would not fully overcome the difficulties of coordinating the various parties involved, particularly when a project concerns more than one country. Consequently, it might be necessary, in the long run, to establish 'infrastructure agencies', along the lines of the New York and New Jersey Port Authority in the United States, to be responsible for joint decision-making and for owning and financing major projects.

The Commission is not yet proposing an operational arrangement. By mooted a European agency (or agencies), it hopes to spark off a wide-ranging debate about the feasibility and advisability of such an idea. Only once discussions have taken place, and in the light of its initial action in this sphere, will it submit, where appropriate, the necessary implementation measures.

set up a committee of leading cancer experts chaired by Professor Umberto Veronesi of Italy.⁴ This committee has put forward an

¹ Bull. EC 6-1985, point 1.2.3.

² Bull. EC 11-1985, point 1.1.1 (conclusions of the Presidency).

³ Bull. EC 6-1986, point 1.1.9.

⁴ Bull. EC 1-1986, point 2.1.78; Bull. EC 2-1986, point 2.1.91; Bull. EC 3-1986, point 2.1.92. The members of the committee are: Professor C. de Duve (substitute: Professor Boon) (Belgium), Dr O. Moeller Jensen (Denmark), Professor M. Tubiana (France), Professor E. Schmidt (Federal Republic of Germany), Professor E. Grundmann (Federal Republic of Germany), Dr S. Vassilaros (Greece), Dr M. Moriarty (Ireland), Professor U. Veronesi (Italy), Professor M. Dicato (Luxembourg), Dr R. Kroes (Netherlands), Professor J. Conde (Portugal), Professor J. Estape (Spain) and Professor N. Bleehen (United Kingdom).

action plan for the period 1987-89 containing 75 proposals covering cancer prevention, information for the general public, training of health care workers and research on cancer.

Mr Manuel Marín, Vice-President of the Commission with special responsibility for social affairs, presented this programme to the press early in December, pointing out that it was one of the most ambitious programmes proposed by the Commission in the context of a people's Europe.

The Commission's action plan

1.4.2. In the view of European cancer specialists, if the Community countries joined forces they could reduce cancer mortality by 15% by the year 2000. It has been demonstrated that the frequency of the disease can be reduced by preventive measures and that therapeutic research will improve its treatment.

The programme is in four parts.

Cancer prevention

1.4.3. Fighting the tobacco habit is the most important feature of the programme since tobacco is the main carcinogen in our society and is responsible for one third of all cancers. It contains more than 40 carcinogenic substances and has been shown to have a link with at least 90% of cases of lung cancer and a good proportion of cancers of the tissues coming into contact with tobacco smoke.

The Commission's programme proposes 15 projects against tobacco. One of them, upward alignment of taxation on manufactured tobacco in the Community, would be particularly beneficial because it would not only lead to a general reduction in tobacco consumption but also release land for other crops and increase tax revenue.

Other activities include the harmonization of cigarette labelling, the prohibition of cigarettes with a high tar content and of duty-free sales of tobacco, the reduction of

production and the launching of an information and public awareness campaign in the fight against tobacco.

This campaign will reach its peak in 1989 — European Cancer Information Year.

1.4.4. Eating habits are also of considerable importance in the induction of the common cancers of the digestive tract and breast.

Alcoholic beverages are the second most important risk factor after tobacco, and excessive weight is another predisposing factor. Several food additives are also thought to be dangerous.

The Commission proposes nine projects to improve public information and awareness, including the drafting of guidelines relating to nutrition and cancer prevention, the harmonization of nutritional labelling of foodstuffs, consumer protection against certain agents in foodstuffs, the launching of information campaigns for recommended foodstuffs such as fresh fruit and vegetables, and exchanges of information and experience concerning nutrition.

1.4.5. According to some studies, tobacco, alcohol and diet between them account for more than two thirds of deaths from cancer. The remaining third results from other factors present in our daily environment, in particular radioactivity and ultraviolet radiations, viral infections and chemical substances. However, the mining and milling of uranium and other radioactive ores, the nuclear energy industry and its radioactive waste on average represent a dose which is far below that resulting from natural radiation.

A small number of viruses are suspected of being implicated in the development of certain cancers, while only 127 chemical substances out of the 100 000 catalogued have been shown to be carcinogenic in the laboratory.

The Commission programme nevertheless includes seven projects in this area to be carried out in the period 1987-89. They concern protection against ionizing radi-

ation and the follow-up to Chernobyl, the setting up of an observatory and establishment of a list of chemical substances suspected of being carcinogenic, speeding up of the work of classification and labelling of carcinogenic substances at Community level, the adoption of directives on the protection of workers¹ already put forward and of new directives, prevention of occupational cancers by improving practical organization and new measures for consumer protection.

1.4.6. There are two projects concerning systematic screening and early detection of cancer. Starting in 1987 the Commission will examine with the health services of the Member States both existing policies and ways and means of establishing a policy for the systematic screening and early detection of cancer, mainly of the breast and cervix.

1.4.7. Not only can many cancers be prevented: some can also be cured provided they are detected early enough. Despite differing lifestyles and eating habits in the Member States, it is desirable to draw up a few rules at European level that are understandable and acceptable to all Europeans. This lowest common denominator will be called the European Cancer Prevention Code, and a definitive eight-point text will be drawn up and distributed in the first half of 1987.

Information and education

1.4.8. The activities listed above can be fully effective only if they are supplemented by information and health education campaigns aimed at young people and adults to complement what is already being done nationally. It is essential to make people aware that concentrating efforts, resources and experience at Community level is the best guarantee of success in the fight against cancer. Also, savings must be made by avoiding unnecessary and costly duplication of effort. Finally, exchanges of experience will be promoted between the various bodies concerned in the Community countries in order to gain maximum benefit from suc-

cesses and failures in the field of public information and health education.

The Community anti-cancer programme contains the following points:

(i) as information for the general public, the compiling of a directory of private organizations against cancer in Europe, alerting of the media to the 'Europe against cancer' programme, opinion polls, financial contributions to television broadcasts, public meeting to mark first anniversary of the programme, preparation of actions to be carried out in 1989 (European Cancer Information Year), the organization of a European cancer prevention week in 1988, interesting teachers and the health professions in dissemination of the European Cancer Prevention Code and in 1989 the organization of a media campaign 'Twelve nations, twelve days of action against cancer';

(ii) for health education, four projects are planned: establishment of a comparative survey of health education programmes in European schools, the drawing-up of proposals for their improvement, the provision of teaching material and contribution to the financing of television broadcasts on cancer prevention and treatment.

Training of health care workers

1.4.9. The European cancer specialists consulted say that there are severe shortages of specific health care workers (nurses and specialists) and that training programmes for health care workers are not always well adapted to current needs.

To help remedy this situation, the Commission has included in its programme several projects and proposals concerning the mobility of medical and nursing students, the joint preparation of teaching materials and the exchange of experience on continuous training.

¹ OJ C 249, 26.9.1980; Bull. EC 6-1980, point 2.1.59; OJ C 270, 10.10.1984; Bull. EC 9-1984, point 2.1.51; Bull. EC 6-1985, point 2.1.82; OJ C 349, 31.12.1985; Bull. EC 11-1985, point 2.1.88; OJ C 164, 2.7.1986; Bull. EC 6-1986, point 2.1.125.

To cover both information for the general public and training of health care workers, the Commission plans a budget of 22 million ECU in 1988 and 1989. The Council is being asked to adopt a draft decision at the next meeting of Health Ministers in May.

Cancer research

1.4.10. The majority of anti-cancer substances produced by biotechnological processes today come from US laboratories. This is mainly because of the difference in the financial resources deployed on either side of the Atlantic.

In addition to the six research programmes already financed by the Community on medical research, radiation protection, biotechnology and the environment, the Commission proposes nine research projects to improve the prevention, screening and detection of cancer and eight more on cancer therapy.

In October the Commission sent the Council a proposal for a fourth programme on medical and health research (1987-89).¹


This describes and defines the scale of cancer research. It also outlines the recommended projects in other research areas (biotechnology, radiation protection, etc.).

From 1987 to 1989 11 million ECU should be spent on coordinating medical research on cancer. Since the total amount committed to the coordinated research is some 30 times this figure, the Community will be coordinating cancer research costing more than 300 million ECU over the next three years.

Conclusions

1.4.11. If the Council adopts all the proposals in the 1987-89 action plan, the Commission programme will undoubtedly bring about progress in the fight against cancer. This will need to be continued beyond 1989, and the 75th and last project in the programme provides for the regular evaluation of the action plan with the aid of the committee of cancer experts and an overall assessment in 1989 for transmission to the Council and Parliament.

¹ Bull. EC 10-1986, point 2.1.49.



PART TWO

**ACTIVITIES
IN DECEMBER 1986**

1. Building the Community

Economic and monetary policy

Council

2.1.1. At its economic and financial affairs meeting on 8 December the Council approved the annual economic report 1986-87 (→ point 2.1.2).

In accordance with the agreement reached on 17 November, it endorsed the essential object of the Commission proposal on NCI IV (→ point 2.1.4).

It further approved a Decision amending the Decision of 22 March 1971 setting up machinery for medium-term financial assistance (→ point 2.1.3).

Lastly, the Council agreed that the second instalment of the Community loan to Greece should be paid from the beginning of 1987 (→ point 2.1.5).

Economic situation

Annual economic report 1986-87

2.1.2. On 22 December, acting on a proposal from the Commission¹ and in the light of the opinions of Parliament² and the Economic and Social Committee³ and the joint opinion of unions and employers on the cooperative growth strategy for more employment, the Council adopted the annual economic report 1986-87 for the Community laying down *inter alia* the economic policy guidelines to be followed by the Member States. The report, which had already been discussed by the Council in an economic and financial affairs meeting held in November, expands and updates the cooperative growth strategy for more employment adopted in December 1985.⁴

The European Council, meeting in London on 5 and 6 December, made clear its support for the strategy, asking the Commission to report to the Council every quarter on the progress made (→ point 1.1.5).

European Monetary System

Medium-term financial assistance

2.1.3. On 22 December, on a proposal from the Commission,⁵ the Council adopted a Decision⁶ concerning the machinery for medium-term financial assistance first set up on 22 March 1971,⁷ on the basis of the mutual assistance clause of Article 108 of the EEC Treaty, whereby Member States grant medium-term loans to another Member State which is in difficulties or is seriously threatened with difficulties as regards its balance of payments.

The Decision extends the validity of the medium-term financial assistance machinery for a further two-year period, unless the definitive phase of the European Monetary System is set up in the mean time. Member States' total commitments under this facility are reduced by 2 000 million ECU, an amount equivalent to that by which the ceiling for the Community loan mechanism was raised on 30 April 1985,⁸ so that the total amount of medium-term Community loans which may be granted under the two instruments for providing balance-of-payments support remains unchanged.

Community borrowings

New Community Instrument (NCI IV)

2.1.4. On 8 December with the agreement reached on 17 November,⁹ the Council endorsed the essential object of the Commission proposal on NCI IV, i.e. that an amount of 1 500 million ECU should be

¹ Bull. EC 10-1986, point 1.1.1 *et seq.*

² OJ C 322, 15.12.1986; Bull. EC 11-1986, point 2.1.2.

³ Bull. EC 11-1986, point 2.4.20.

⁴ OJ L 377, 31.12.1985, Bull. EC 12-1985, point 2.1.2.

⁵ Bull. EC 11-1986, point 2.1.4.

⁶ OJ L 382, 31.12.1986.

⁷ OJ L 73, 27.3.1971.

⁸ OJ L 118, 1.5.1985; Bull. EC 4-1985, point 2.1.2.

⁹ Bull. EC 11-1986, point 2.1.6; OJ C 163, 3.7.1985, Bull. EC 5-1985, point 2.1.3.

made available to small and medium-sized enterprises in the form of loans.

To this end, the Council decided:

(i) to provide 750 million ECU through NCI IV;

(ii) to request the European Investment Bank to provide 750 million ECU from its own funds, on the understanding that the EIB loans would have the same scope and would be made on the same conditions as those provided for in the NCI IV Decision.

On 8 December, in line with this agreement, the Council approved as a common position the decision to adopt a figure of 750 million ECU for NCI IV and decided to transmit that common position to Parliament. It also formally requested the EIB to make 750 million ECU available to small and medium-sized enterprises from its own resources.

Loans to Greece

2.1.5. On 18 November 1985 the Council had decided to grant Greece a loan of 1 750 million ECU under the Community loan mechanism for providing balance-of-payments support; the first instalment was to be paid immediately and the second at the earliest a year later in the light of the results achieved.¹

On 8 December the Commission informed the Council of the conclusions of its examination, carried out together with the Monetary Committee, of developments in Greece's economic situation and the results achieved under the economic recovery programme.

In view of the progress made in various areas and the measures taken to monitor future economic performance, the Council agreed on 8 December that the second instalment of the Community loan decided on in November 1985 should be paid from the beginning of 1987.

New financial instruments — financial engineering

2.1.6. In December the Commission sent the Council and Parliament an outline com-

munication on financial engineering, its first communication setting out the reasons for developing financial engineering on a Community scale and explaining the significance of this activity. At the same time it sent the Council a second communication on the financing of major infrastructure projects of European interest (→ point 1.3.1 *et seq.*).

Internal market and industrial affairs

Completing the internal market

2.1.7. At the European Council meeting in London on 5 and 6 December there was general satisfaction with the steady progress on completing the internal market and expectation of even faster progress once the Single European Act came into force. Formal note was taken of the substantial results achieved by the Council meeting on the internal market in December (→ point 1.1.6).

2.1.8. In December the Council adopted two Directives in connection with the White Paper on completing the internal market:² one on frontier formalities and inspections (→ point 2.1.295) and the other on the annual accounts and consolidated accounts of banks (→ point 2.1.127).

2.1.9. The Commission adopted two recommendations in the course of the month: one on monitoring and controlling large exposures of credit institutions and the other on the introduction of deposit-guarantee schemes (→ points 2.1.128 and 2.1.129).

2.1.10. The Commission sent the Council two proposals for Directives: one on the annual accounts of insurance companies and the other on the compulsory winding-

¹ Bull. EC 11-1985, point 1.3.2.

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

up of direct insurance undertakings (→ points 2.1.125 and 2.1.126).

2.1.11. It also sent the Council a proposal to simplify the formalities required by Member States for the granting of tax exemption (→ point 2.1.162).

Council

2.1.12. The Council meeting on the internal market on 1 December was certainly the most fruitful meeting since work began on implementing the White Paper.

Apart from reaching general agreement on a package of four directives and a recommendation on pharmaceutical products (→ point 2.1.30), the Council adopted the Directive on noise labelling of domestic appliances (→ point 2.1.191), a Directive on self-employed commercial agents (→ point 2.1.13) and a Regulation laying down measures to prohibit the release for free circulation of counterfeit goods (→ point 2.1.82).

The Council also reached agreement on the Directive for roll-over protection for narrow-track tractors (→ point 2.1.17), the recommendation on fire safety in existing hotels (→ point 2.1.19), the Directive on the application of the principles of good laboratory practice and the verification of their application for tests carried out on chemical substances (→ point 2.1.195) and the Directive intended to improve consumer protection in the market for credit (→ point 2.1.205).

The Council approved a Directive on the legal protection of original topographies of semiconductor products (→ point 2.1.33).

The Council did some useful work on proposals concerning information technology and telecommunications (→ points 2.1.76 and 2.1.77), public contracts (→ point 2.1.36) and the easing of border controls¹ and took stock of progress concerning simple pressure vessels² and dozers and loaders.³

The Council took note of reports from the Presidency concerning the conditions of entry into force of the Agreement on Community Patents and on the rolling action programme for the completion of the internal market.

Free movement of persons and freedom to provide services

Removal of restrictions

Self-employed commercial agents

2.1.13. In December the Council formally adopted the Directive on the coordination of the laws of the Member States relating to self-employed commercial agents⁴ which it had approved on 3 November.⁵

Mutual recognition of diplomas and access to occupations

2.1.14. At its meeting on 2 and 3 December the Committee of Senior Public Health Officials continued its discussion of the application of the Directives on doctors, nurses responsible for general care, dental practitioners and midwives in the enlarged Community.⁶

The Committee also discussed various legal questions arising in connection with the application of these Directives and produced tables on migration of members of the health professions concerned in 1985 (see Tables 1 to 4).

¹ OJ C 47, 19.2.1984; Bull. EC 12-1984, point 2.1.9; OJ C 131, 30.5.1985; Bull. EC 5-1986, point 2.1.9.

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

³ OJ C 356, 31.12.1980; Bull. EC 10-1980, point 2.1.50; OJ C 302, 21.11.1981; Bull. EC 9-1981, point 2.1.58.

⁴ OJ L 382, 31.12.1986.

⁵ Bull. EC 11-1985, point 2.1.14.

⁶ Bull. EC 7/8-1986, point 2.1.9.

Table 1 — *Number of doctors who are Community nationals and obtained authorization in 1985, under the doctors Directives, to practise in one of the Member States listed at the head of the columns below, after obtaining their basic qualification in another¹*

	FR of Germany	France	Italy	Netherlands	Belgium	Luxembourg ²	United Kingdom ^{3, 4}	Ireland ⁴	Denmark	Greece
Total		64	21	53	31	8	332	30	12	367
Nationals of:										
FR of Germany		4	12	6	2	1	57	0	6	2
France		22	3	0	7	1	16	0	1	1
Italy		5	3	1	3	1	69	3	0	9
Netherlands		5	0	9	16	0	32	1	1	1
Belgium		15	1	30	2	4	33	0	0	0
Luxembourg		0	0	0	1	0	0	0	0	0
United Kingdom		3	0	4	0	0	8	25	2	2
Ireland		2	0	2	0	0	1	0	0	0
Denmark		0	0	0	0	1	9	0	2	0
Greece		8	2	1	0	0	107	1	0	352
Qualified in:										
FR of Germany		6	14	6	2	1	58	0	6	34
France		0	4	0	9	1	17	0	2	5
Italy		11	0	1	4	1	76	3	0	325
Netherlands		4	0	0	16	0	32	1	1	1
Belgium		29	1	37	0	4	34	0	0	0
Luxembourg		0	0	0	0	0	0	0	0	0
United Kingdom		2	0	5	0	0	0	24	3	2
Ireland		3	0	2	0	0	.	1	0	0
Denmark		0	0	1	0	1	9	0	0	0
Greece		9	2	1	0	1	106	1	0	0

¹ This table, as the heading suggests, does not include those Community nationals who acquired their basic qualification in a Member State whose nationality they do not possess but in which they were authorized to practise (these are migrant students rather than migrant doctors). It does include all migrant doctors, including those planning to undergo specialized training in another Member State, provided they have received authorization to practise in that State. However, in France and Luxembourg, unlike the other Member States, migrants may undergo specialized training without having authorization to practise. They do not therefore appear in the statistics provided by France and Luxembourg for this table.

² All Luxembourg medical students have to obtain their training abroad; those who subsequently practise in their home country have therefore not been included in the table.

³ This figure does not include doctors who qualified in Ireland, for under a bilateral agreement between the United Kingdom and Ireland all doctors who qualify in Ireland may register in the United Kingdom and practise medicine there. It is not possible to determine the number of these doctors or their nationality.

⁴ It is not possible to determine whether all those authorized actually set up in practice.

Table 2 — Number of nurses responsible for general care who are Community nationals and obtained authorization in 1985, under the Directives on nurses responsible for general care, to practise in one of the Member States listed at the head of the columns below, after obtaining their basic qualification in another¹

	FR of Germany ²	France	Italy	Netherlands	Belgium	Luxembourg	United Kingdom	Ireland	Denmark	Greece
Total	132	205	41	64	41	101	674	.	13	5
Nationals of:										
FR of Germany	21	28	7	.	7	27	40	1	2	2
France	12	45	5	.	11	20	14	1	1	0
Italy	6	5	10	.	2	1	4	.	0	0
Netherlands	26	19	3	.	4	0	41	.	0	1
Belgium	19	74	5	.	16	47	7	.	0	0
Luxembourg	3	0	0	.	0	6	0	.	0	0
United Kingdom	29	25	9	.	1	0	0	.	3	1
Ireland	6	9	0	.	0	0	549	. ³	1	0
Denmark	8	0	2	.	0	0	19	.	6	0
Greece	2	0	0	.	0	0	0	.	0	1
Qualified in:										
FR of Germany	9	36	10	17	10	27	40	1	2	2
France	9	0	6	3	16	20	14	1	2	0
Italy	1	4	0	0	2	1	4	.	1	1
Netherlands	6	21	3	0	12	0	41	2	0	1
Belgium	2	101	10	22	0	53	7	.	0	0
Luxembourg	0	0	0	17	0	0	0	.	0	0
United Kingdom	10	35	10	2	1	53	0	183 ³	8	1
Ireland	2	8	0	3	0	0	549	.	0	0
Denmark	7	0	2	0	0	0	19	.	0	0
Greece	0	0	0	0	0	0	0	.	0	0

¹ This table, as the heading suggests, does not include Community nationals who acquired their basic qualification in a Member State whose nationality they do not possess but in which they were authorized to practise (these are migrant students rather than migrant nurses). It does include all migrant nurses responsible for general care, including those planning to undergo specialized training in another Member State, provided they have received authorization to practise in that State.

² Not including Bremen and North Rhine-Westphalia.

³ It is not possible to determine the nationality of these 183 nurses trained in the United Kingdom. The majority are probably Irish nationals.

Table 3 — *Number of dental practitioners who are Community nationals and obtained authorization in 1985, under the dentists Directives, to practise in one of the Member States listed at the head of the columns below, after obtaining their basic qualification in another¹*

	FR of Germany	France	Italy	Netherlands	Belgium	Luxembourg	United Kingdom	Ireland	Denmark	Greece
Total	.	8	26	6	10	4	72	8	0	4
Nationals of:										
FR of Germany		1	2	0	2	0	2	.	.	0
France		3	9	0	1	1	3	.	.	1
Italy		0	4	0	0	0	0	.	.	0
Netherlands		0	.	1	5	0	5	.	.	0
Belgium		2	1	3	2	3	0	.	.	0
Luxembourg		0	0	0	0	.	0	.	.	0
United Kingdom		0	0	2	0	.	0	8	.	0
Ireland		0	0	0	0	.	52	.	.	0
Denmark		2	1	0	0	.	8	.	.	0
Greece		0	0	0	0	.	2	.	.	3
Qualified in:										
FR of Germany		2	2	0	3	.	2	.	.	2
France		0	10	0	2	1	3	.	.	1
Italy		0	0	0	0	.	0	.	.	0
Netherlands		0	.	0	5	.	5	.	.	0
Belgium		4	1	4	0	3	0	.	.	1
Luxembourg		0	0	0	0	.	0	.	.	0
United Kingdom		0	0	2	0	.	0	8	.	0
Ireland		0	0	0	0	.	52	.	.	0
Denmark		2	1	0	0	.	8	.	.	0
Greece		0	0	0	0	.	2	.	.	0

¹ This table, as the heading suggests, does not include Community nationals who acquired their basic qualification in a Member State whose nationality they do not possess but in which they were authorized to practise (these are migrant students rather than migrant dental practitioners). It does include all migrant dental practitioners, including those intending to undergo specialized training in another Member State, provided they have received authorization to practise in that State.

Table 4 — *Number of midwives who are Community nationals and obtained authorization in 1985, under the midwives Directives, to practise in one of the Member States listed at the head of the columns below, after obtaining their basic qualification in another¹*

	FR of Germany ²	France	Italy	Netherlands	Belgium	Luxembourg	United Kingdom	Ireland	Denmark	Greece
Total	5	4	4	6	1	5	24	.	1	2
Nationals of:										
FR of Germany	1	0	1	.	0	0	0		0	0
France	1	0	1	.	1	3	1		1	0
Italy	0	0	2	.	0	0	0		0	0
Netherlands	1	0	0	.	0	0	2		0	0
Belgium	0	3	0	.	0	0	1		0	0
Luxembourg	0	0	0	.	0	2	0		0	0
United Kingdom	1	1	0	.	0	.	0		0	0
Ireland	0	0	0	.	0	.	19		0	0
Denmark	0	0	0	.	0	.	1		0	0
Greece	1	0	0	.	0	.	0		0	2
Qualified in:										
FR of Germany	0	0	1	0	0	.	0		0	2
France	1	0	1	0	1	3	1		1	0
Italy	0	0	0	0	0	.	0		0	0
Netherlands	1	0	0	0	0	.	2		0	0
Belgium	0	3	2	0	0	2	1		0	0
Luxembourg	0	0	0	0	0	.	0		0	0
United Kingdom	2	1	0	6	0	.	0		0	0
Ireland	0	0	0	0	0	.	19		0	0
Denmark	0	0	0	0	0	.	1		0	0
Greece	0	0	0	0	0	.	0		0	0

¹ This table, as the heading suggests, does not include Community nationals who acquired their basic qualification in a Member State whose nationality they do not possess but in which they were authorized to practise (these are migrant students rather than migrant midwives).

² Not including Bavaria, Berlin (West), Bremen and North Rhine-Westphalia.

Free movement of goods

*Safeguard measures*¹

Greece

2.1.15. On 22 November 1985, in view of the extent of the difficulties being experienced by the Greek economy, the Commission authorized Greece to take certain safeguard measures under Article 108(3) of the EEC Treaty, in particular to maintain the export aid scheme for a further year.²

In the light of the subsequent improvement in the Greek economic situation justifying, if not the immediate termination, at least the phasing out of the export aid over a period of time as the expected recovery continues, the Commission amended its 1985 Decision on 16 December.³

Spain

2.1.16. On 30 December the Commission decided, on the basis of Article 379 of the Act of Accession, to amend its Decision of 16 July 1986 authorizing Spain to limit its imports of urea originating in other Member States.⁴ The growth in imports from other Member States and from non-Community countries, which persisted during the second half of the year, created serious problems for the Spanish urea industry.

Spain was therefore authorized to limit imports of urea originating in the other Member States to 90 000 tonnes instead of the 100 000 originally agreed for the period covering the second half of 1986 and the whole of 1987.

Removal of technical and administrative barriers to trade

Industrial products

Proposals adopted by the Council

2.1.17. On 1 December the Council reached final agreement on the proposal for

a Directive on the harmonization of the safety requirements governing the design and construction of self-propelled industrial trucks, thereby ensuring the free movement of these products throughout the Community.⁵

This Directive covers the technical specifications to be followed by manufacturers in the interests of safety; the European Committee on Standardization (CEN) has been asked to draw up the necessary standards in one particular area, namely pedal layout. The Directive was formally adopted on 22 December.

2.1.18. The Council also reached agreement on the Directive relating to roll-over protection structures mounted in front of the driver's seat on narrow-tract tractors.⁶ This Directive lays down Community-wide construction and testing requirements for these structures. It marks another step towards the ultimate goal of an entirely free market for tractors within the Community.

2.1.19. On 22 December the Council adopted a recommendation on fire safety in existing hotels.⁷

This recommendation is in response to the fact that rules governing fire safety in hotels do not exist in all the Member States and where they do exist they are incomplete and not always observed.

It is confined to existing hotels since it is in such hotels that the risks are greater, as new hotel buildings generally have to comply with very strict regulations.

The recommendation lays down objectives and means of ensuring safety in existing hotels and, for hotels which can accommo-

¹ For iron and steel products, see points 2.1.50 and 2.1.51.
² OJ L 373, 31.12.1985; Bull. EC 11-1985, points 1.3.3 and 1.3.4.

³ OJ L 357, 18.12.1986.

⁴ OJ L 303, 29.10.1986; Bull. EC 7/8-1986, point 2.1.10.

⁵ OJ C 165, 2.7.1979.

⁶ OJ C 222, 2.9.1985; Bull. EC 11-1984, point 2.1.10.

⁷ OJ C 49, 21.2.1984; Bull. EC 1-1984, point 2.1.5; OJ C 131, 29.5.1986; Bull. EC 4-1986, point 2.1.8.

date more than 20 people, sets out recommended technical guidelines.

Commission Directives

2.1.20. On 8 December the Commission approved a Directive on the approximation of the laws of the Member States relating to the methods of analysis, supervision and testing of straight ammonium nitrate fertilizers of high nitrogen content, thereby carrying out the mandate given to it by the Council Directive of 15 July 1980.¹

Commission proposals

2.1.21. On 25 November the Commission sent the Council proposals for Directives² relating to:

The distinguishing letters assigned to the Member States: the purpose of this proposal is to amend the Directives relating to industrial products, replacing the distinguishing letters GR for Greece by EL, which corresponds to the Greek name for Greece.

The design of distinguishing letters: this proposal amends Annex II to the Directive of 26 July 1971 relating to measuring instruments,³ which specifies the shape and dimensions of these distinguishing letters, adding letters for the new Member States (E for Spain, EL for Greece and P for Portugal) and replacing IR for Ireland by IRL.

The making-up by volume of certain prepackaged liquids: this proposal amends the Directive of 18 December 1974 relating to certain prepackaged liquids,⁴ adding to the ranges for vermouths, sparkling wines and spirits and making those ranges obligatory in all Member States.

The ranges of nominal quantities and nominal capacities permitted for certain prepackaged products: this proposal amends the Directive of 15 January 1980 relating to the ranges of certain prepackaged products,⁵ adding a new compulsory range for knitting and/or crocheting yarns.

2.1.22. On 19 December the Commission adopted, for transmittal to the Council, a

proposal for a general Directive relating to construction products.⁶ This proposal, which was included in the timetable of the White Paper on completing the internal market,⁷ is based on the application of the principles of the resolution of 7 May 1985 concerning a new approach to technical harmonization and standards.⁸ It applies to all products that are incorporated in building or civil engineering construction works. It proposes a definition in functional terms of the essential requirements for construction works and reference to European standards or technical approvals for the technical specifications of construction products. Products satisfying the essential requirements will be identified by an EC mark, after undergoing a conformity attestation procedure. This will enable them to enjoy free movement and to be used throughout the Community. Lastly, the proposal provides for the setting up of a Standing Committee for Construction.

2.1.23. On 16 December the Commission sent to the Council a proposal for a Directive⁹ amending the Directive of 18 December 1975 on the approximation of the laws of the Member States relating to fertilizers,¹⁰ in order to extend to fluid fertilizers the rules governing the marketing of solid fertilizers.

Foodstuffs

Proposals adopted by the Council

2.1.24. On 8 December the Council, acting on a proposal from the Commission,¹¹ amended¹² Directive 65/66 laying down

¹ OJ L 250, 23.9.1980.

² OJ C 317, 10.12.1986; COM(86) 653 final.

³ OJ L 202, 6.9.1971.

⁴ OJ L 42, 15.12.1975.

⁵ OJ L 51, 25.2.1980.

⁶ COM(86) 756.

⁷ Bull. EC 6-1985, point 1.3.1 *et seq.*

⁸ OJ C 136, 4.6.1985.

⁹ OJ C 12, 16.1.1987; COM(86) 704 final.

¹⁰ OJ L 24, 30.1.1976.

¹¹ Bull. EC 7/8-1986, point 2.1.15.

¹² OJ L 352, 13.12.1986.

specific criteria of purity for preservatives authorized for use in foodstuffs intended for human consumption.¹

2.1.25. Acting on a Commission proposal,² the Council amended³ for the fourth time Directive 70/357 on the approximation of the laws of the Member States concerning the antioxidants authorized for use in foodstuffs intended for human consumption.⁴ The purpose of this amendment is to extend temporarily until 31 December 1988 the option granted to the Member States to authorize in their territory the use of calcium disodium ethylene tetra-acetate as an antioxidant in certain foodstuffs.

2.1.26. The Economic and Social Committee adopted an opinion on the proposal at its December session (→ point 2.4.34).

Commission proposals

2.1.27. On 30 December the Commission presented a proposal to the Council,⁵ amending for the third time the Directive of 17 November 1975 on the approximation of the laws of the Member States concerning fruit juices and certain similar products.⁶ The purpose of this proposal is to delegate to the Commission the management of existing Community provisions in this sector governed by the 1975 Directive.

2.1.28. On 30 December the Commission sent the Council a proposal for a Directive on the official inspection of foodstuffs, with a view to laying down general rules to be followed when national authorities monitor the conformity of foodstuffs to ensure the protection of the consumer against health risks and fraud.⁷

2.1.29. In accordance with the provisions of the Council Directive of 15 July 1980 relating to the exploitation and marketing of natural mineral waters,⁸ which became effective on 17 July 1984, the Commission was given further lists of recognized mineral waters by Italy and the United Kingdom.⁹

Pharmaceuticals

Proposals adopted by the Council

2.1.30. On 1 December the Council reached general agreement on four Directives and one recommendation concerning pharmaceutical products. The Directives, which were formally adopted on 22 December,¹⁰ relate to:

(i) the placing on the market of high-technology medicines, in particular those derived from biotechnology;

(ii) the amendment of the Directive of 20 May 1975 relating to analytical, pharmacotoxicological and clinical standards and protocols in respect of the testing of proprietary medicinal products;¹¹

(iii) the amendment of the Directive of 28 September 1981 relating to analytical, pharmacotoxicological and clinical standards in respect of the testing of veterinary medicinal products;¹²

(iv) the amendment of the Directive of 26 January 1965 on the approximation of provisions laid down by law, regulation or administrative action relating to proprietary medicinal products.¹

The adoption of these Directives marks a major step towards the achievement of a common market in medicinal products and, more particularly, in high-technology medicines. Their specific purpose is to facilitate the development and marketing of medicinal products derived from biotechnology, to project innovative medicinal products where protection by patent is inadequate and to delegate powers to the Commission

¹ OJ L 22, 9.2.1965.

² OJ C 197, 6.8.1986; Bull. EC 7/8-1986, point 2.1.14.

³ OJ L 24, 27.1.1987.

⁴ OJ L 157, 18.7.1970; OJ L 354, 9.12.1981.

⁵ OJ C 24, 31.1.1987; COM(86) 688.

⁶ OJ L 311, 1.12.1975.

⁷ OJ C 20, 27.1.1987; COM(86) 747.

⁸ OJ L 229, 30.8.1980.

⁹ OJ C 335, 30.12.1986.

¹⁰ OJ L 15, 17.1.1987.

¹¹ OJ L 147, 9.6.1975.

¹² OJ L 317, 6.11.1981.

to adapt the Directives on the testing of medicinal products for human and veterinary use to technical progress.

Commission proposals

2.1.31. On 30 December the Commission sent the Council a proposal for a Directive relating to the transparency of measures regulating the pricing of medicinal products for human use and their inclusion within the scope of the national health insurance system.¹

This proposal represents the first attempt by the Commission to frame legislation in the complex and controversial area of price controls and restrictions on the reimbursement of medicinal products. Infringement proceedings under Article 30 of the EEC Treaty have already been initiated against several Member States, and the Commission recently adopted a communication to the Member States setting out its interpretation of the judgments given by the Court of Justice in this field.²

The aim of this proposal, which takes up all the points made in the communication, is to ensure the fairness and transparency of all national measures designed to control the prices of medicinal products, manufacturers' profits or the range of products covered by national health insurance systems.

2.1.32. On 16 December the Commission sent the Council a recommendation authorizing it to conduct negotiations to enable the Community to accede to the Convention on the Elaboration of a European Pharmacopoeia.

Business law

Economic and commercial law

Original topographies of semiconductor products

2.1.33. The Council approved on 1 December and formally adopted on 16

December a Directive on the legal protection of topographies of semiconductor products,³ proposed by the Commission in December 1985.⁴

Semiconductor products are used for data processing, industrial control and in a wide variety of industrial and commercial applications.

The development of topographies of semiconductor products is becoming more and more costly and the return on investments doubtful without adequate legal protection, since topographies can easily be copied at a fraction of the cost of their development.

This Directive, which is aimed at preventing disparities between Member States' legislations, is based on a framework approach laying down certain fundamental parameters concerning the kind of protection to be provided. It obliges Member States to protect topographies by granting exclusive rights and specifies, *inter alia*, what is to be protected, who is to benefit from such protection, what acts are to be considered an infringement of exclusive rights and the duration of the protection.

The Directive, which is to be incorporated into national law by 7 November 1987 at the latest, is one of the first legislative instruments in this field, together with those enacted in the United States and Japan. It will enable Member States to obtain permanent protection in the United States, since it is on this date that the provisional protection granted them by US legislation expires.

Trade marks

2.1.34. On 30 December the Commission sent the Council a proposal for a Regulation⁵ on the rules of procedure of the Boards of Appeal instituted by the Regu-

¹ COM(86) 765 final.

² OJ C 310, 4.12.1986; Bull. EC 9-1986, point 2.1.14.

³ OJ L 24, 27.1.1987.

⁴ OJ C 360, 31.12.1985; Bull. EC 12-1985, point 2.1.25.

⁵ COM(86) 731 final.

lation on the Community trade mark.¹ The proposal contains provisions on the distribution of business among the Boards of Appeal, the organization of the Boards' procedure and information for the parties in the form of a summary giving a Board's provisional opinion on the legal or factual problems involved.

On the same date the Commission also sent the Council a proposal for a Regulation on fees payable to the Community Trade Mark Office.²

Public contracts

Public works contracts

2.1.35. On 30 December the Commission transmitted to the Council a proposal³ for an amendment to the Directive of 26 July 1971 coordinating procedures for the award of public works contracts.⁴

Public works contracts account for some 25% of all Community construction contracts. Opening up public procurement in this field is therefore an essential aspect of the programme set out in the White Paper on completing the internal market.⁵

As the Commission pointed out in the communication on public procurement sent to the Council in June,⁶ existing Community rules aimed at ensuring freedom to provide services in the construction industry have not succeeded in opening up public procurement. The statistics available show that practically no interpenetration has taken place.

It would be no exaggeration to state that neither the letter nor the spirit of the Directives has, in general, been respected. In addition to the deliberate splitting of projects in order to evade the scope of the Directives, there have been serious abuses in applying the procedures laid down by them. The restricted procedure has frequently been used to exclude foreign and non-traditional suppliers from contract award procedures. Over-frequent use has been made of privately negotiated contracts:

on average, approximately 25% of all contracts are awarded on this basis.

There is no escaping the conclusion that the existing Directives are inadequate for the purpose of achieving the objectives laid down. In merely providing for notices to be published at the time when contract award procedures are begun, they do not guarantee sufficient transparency in ample time to give all potential tenderers an equal opportunity. Furthermore, the current minimum time limits are too short to enable foreign contractors to participate and controls are inadequate and ineffective. Lastly, areas in which public procurement is significant in industrial terms have been excluded from the scope of the Directives.

The proposal is therefore aimed essentially at increasing the transparency of contracts, ensuring that contracts are awarded on an equitable basis and ensuring that the measures laid down are complied with.

Transparency and equal opportunities

- (i) advance information about the main characteristics of the contract to be awarded not more than a year and not less than six months before the project is put up for competition;
- (ii) obligatory reference to European standards or harmonization documents where they exist;
- (iii) extension of time limits for submitting tenders;
- (iv) publication of contracts awarded;
- (v) introduction of compulsory statistical reports.

¹ Supplement 5/80 — Bull. EC; OJ C 351, 31.12.1980; Bull. EC 11-1980, point 1.5.1 *et seq.*; OJ C 230, 31.8.1984; Bull. EC 7/8-1984, point 2.1.21; Bull. EC 1-1986, point 2.1.14. The trade mark Regulation itself has not yet been adopted by the Council.

² COM(86) 742 final.

³ COM(86) 679 final.

⁴ OJ L 185, 16.8.1971.

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

⁶ Bull. EC 6-1986, point 1.2.1 *et seq.*

Improvement of contract award procedures

With a view to:

- (i) limiting over-frequent use of privately negotiated contracts by introducing a 'negotiated procedure' with a prior call for competition and negotiation with at least three contractors;
- (ii) regulating the use of the restricted procedure to a greater extent by making it compulsory to invite tenders from a minimum number of contractors based on the size of the project to be carried out.

Threshold

- (i) increase from 1 million to 7 million ECU in the threshold above which a contract must be published in the *Official Journal*;
- (ii) continued and improved application of the other provisions of the Directive, e.g. common technical rules, qualitative selection criteria and criteria for awarding contracts;
- (iii) requirement that the aggregate value of the lots be taken as a basis for calculating the value of the project in order to prevent excessive splitting of contracts.

Scope

- (i) inclusion of new forms of contract such as financial promotion and management contracts;
- (ii) restriction of the definition of exempted sectors (water, energy and transport) so that only contracts requiring specialist firms are excluded;
- (iii) extension of the definition of contracting authorities to include public or private undertakings holding public service concessions or to whom the State or regional or local authorities have granted special or exclusive rights;
- (iv) inclusion of contracts financed by public funds.

To conclude, the measures envisaged should lead European contractors to show more interest as a result not only of improved information and greater transparency but also of the introduction of stronger safeguards against discriminatory practices.

Once adopted, the improvements to the 1971 Directive should result in more rational decisions on the part of public purchasers (based on the best quality/price ratio) and, consequently, in budget savings and better use of public funds.

Public supply contracts

2.1.36. On 22 December the Council agreed in principle to a proposal for a Directive¹ amending the Directive of 21 December 1976² coordinating the procedures for the award of public supply contracts and repealing certain provisions of the Directive of 22 July 1980.³

The Council had already agreed on a number of questions of substance on 1 December.

The aim of this Directive is to enhance the transparency of public procurement by introducing equal conditions for participating in public contracts in order to put an end to the continued compartmentalization of these contracts and to reduce public spending and foster the competitiveness of Community industry.

On 22 December the Council also approved conclusions outlining the approach to be followed for public procurement in the years ahead.

2.1.37. At its December session the Economic and Social Committee delivered its opinion on the above Commission proposal¹ (→ point 2.4.35).

¹ OJ C 173, 11.7.1986; Bull. EC 6-1986, point 1.2.1 *et seq.*

² OJ L 13, 15.1.1977; OJ C 11, 15.1.1977.

³ OJ L 215, 18.8.1980.

Small business— Business cooperation— Distributive trades

Small business

2.1.38. The meeting of the European Council in London on 5 and 6 December welcomed the resolution concerning the action programme for small and medium-sized enterprises¹ adopted by the Council on 3 November and the measures taken by the Commission to assess the impact of any new proposals on company costs and employment and to amend existing legislation accordingly (→ point 1.1.8).

Distributive trades

2.1.39. The new Committee on Commerce and Distribution, now enlarged from 42 to 50 members, was inaugurated on 2 December by Lord Cockfield, Commission Vice-President with special responsibility for the internal market.

2.1.40. The *ad hoc* working party on new methods of payment met on 12 December to prepare the opinion to be given by the Committee on Commerce and Distribution within the framework of the Commission's consultation procedures on its recommendation on a European code of conduct relating to electronic payment systems, drafted to give effect to the White Paper on completing the internal market.

Industry

Shipbuilding

2.1.41. At a meeting of Industry Ministers on 22 December the Council approved the sixth Directive on aid to shipbuilding, proposed by the Commission in October (→ point 2.1.122).

Steel

The Community steel industry

Market management

Crisis measures

Organization of the market in 1987

2.1.42. On 5 December the Commission, acting with the Council's assent, given on 18 November,² decided to remove galvanized sheet from the quota system from 1 January 1987,³ amending its Decision of 27 November 1985 on the extension of the system of monitoring and production quotas for certain products of undertakings in the steel industry.⁴ Since they were no longer required, the provisions contained in Article 15B of the Decision were deleted.

Production quotas

2.1.43. On 1 December the Commission adopted the provisional abatement rates for the first quarter of 1987, exercising great caution in view of the gloomy prospects for steel demand.⁵ However, should market developments show these rates to be too restrictive, the Commission will be able to change them up to the end of the first week in February 1987 in accordance with the Decision of 27 November 1985 on the extension of the system of monitoring and production quotas for certain products.⁴

These rates, shown in Table 5, are intended as a basis for establishing production quotas for the quarter.

¹ Bull. EC 10-1986; point 1.3.1 *et seq.*

² Bull. EC 11-1986, point 2.1.24.

³ OJ L 348, 10.12.1986.

⁴ OJ L 340, 18.12.1985.

⁵ OJ L 339, 2.12.1986.

Table 5 — *Rates of abatement for establishing the production quotas for the first quarter of 1987*

Product	Production quota	Part of the quota which may be delivered in the common market
Ia Hot-rolled wide strip, including hoop and sheet	57	58
Ib Cold-rolled sheet	52	53
II Reversing-mill plate	45	56
III Heavy sections	57	60
IV Wire rod	39	38
VI Merchant bars	44	42

In accordance with the Commission Decision of 5 December, galvanized sheet (category Ic) is no longer subject to a production quota (→ point 2.1.42). From 1 January onwards 60% of total steel production in the Community—excluding Spain and Portugal—will still be subject to the quota system, as against 85% at the end of 1985 and 65% on 1 January 1986, the date on which the imposition of quotas on concrete reinforcing bars and coated sheet other than galvanized sheet was terminated.

Market situation

Production

2.1.44. In November 1986 crude steel production in the Community—excluding Greece—was estimated from Statistical Office data at about 9.37 million tonnes, as opposed to 10.17 million tonnes in the corresponding period the previous year. Most of the reduction was accounted for by Germany, Spain, Belgium and Luxembourg, variations in the other Member States being very slight.

Crude steel production for the whole of 1986 should amount to some 113 million tonnes for the Community of Ten and 125.6 million tonnes for the Community of Twelve, the respective drops in production compared with 1985 being 6.3% and 7.3%.

Trade

2.1.45. The trends which emerge in the trade in steel products in 1986 compared with 1985, on the basis of the forward programme (→ point 2.1.46), are an increase of 10% in imports and a drop of 30% in exports. However, on the basis of delivery figures for the first nine months and orders received in the third quarter, the decline in exports could be no more than about 20%.

Forward programme

2.1.46. On 19 December the Commission approved the forward programme for steel for the first quarter of 1987 for transmission to the ECSC Consultative Committee for its opinion. This document contains an economic analysis and an assessment of the steel market, which served as the basis for calculating the rates of abatement (→ point 2.1.43) for establishing the production quotas and the proportion of the quotas which may be delivered inside the Community. The Commission displayed great caution in view of the gloomy prospects for steel demand.

While steel users paradoxically appear optimistic about the general economic situation at the beginning of next year, this optimism is not shared by producers and stockholders, who are facing a slowdown if not a halt in investment in various steel-using sectors of the oil industry owing to the fall in oil prices, which affects almost all the steel products which are subject to quotas.

Supply and demand figures hardly show the steel industry to have benefited much from the general improvement in the economic climate (see Table 6).

Table 6 — *Crude steel supply and demand in the Community of Ten*

	(million tonnes)				
	Outturn		Forward programme estimate		Forecast
	I/86	II/86	III/86	IV/86	I/87
Real consumption	26.45	26.50	24.00	26.20	26.55
Stock change	+ 1.00	- 0.10	+ 0.20	- 0.50	- 0.30
Imports	2.78	2.82	2.70 ¹	2.70	2.75
Exports	5.00	5.47	5.00 ²	4.50	4.50
Production EUR 10	29.67	29.05	26.50	27.50	28.00
EUR 12	33.24	32.46	29.44	30.00	31.00 ³

¹ Revised estimate.

² Production figures for the third quarter of 1986 are definitive.

³ Separate estimate for Spain and Portugal: 3 million tonnes.

The special survey which is carried out each quarter with the cooperation of the principal consuming sectors shows a positive balance of production expectations for the whole of industry in the coming months, with particularly goods results in

consumer goods and motor vehicles. Table 7 shows the quarterly development in the indicators of activity by sector, relating projections for the first quarter of 1987 to actual performance in the first quarter of 1986.

Table 7 — *Indicators of activity by sector¹ (not seasonally adjusted)*

	I/86	III/86	IV/86	I/87
Manufacture of metal articles	100.0	95.7	104.3	99.8
Mechanical engineering	100.0	94.4	111.2	101.4
Electrical engineering	100.0	88.3	105.1	100.1
Motor vehicles	100.0	85.1	102.3	103.1
Other means of transport	100.0	82.8	96.0	82.3
Building and civil engineering	100.0	—	—	— ²

¹ These indexed forecasts of the level of activity of various steel-consuming sectors indicate trends quarter on quarter. They are derived by weighting national data provided by the trade associations of the principal steel-consuming industries.

² Reliable indices are not available owing to lack of national data.

There are, however, negative factors offsetting these positive expectations: problems concerning exports to non-member countries, uncertainty about the levels of consumers' and merchants' stocks, the winter seasonal effect, the depressed market for oil-related goods and the attraction of the Community market to non-member countries. More generally, the decline in specific steel consumption continues to take its toll.

Crude steel production is estimated at 28 million tonnes for the Community of Ten. Stocks should continue to fall, export prospects are not encouraging, but imports should remain stable.

Table 8 shows apparent steel consumption for each Member State over recent quarters, data being available for Spain and Portugal

from the beginning of 1986 onwards. These figures are obtained by taking total pro-

duction, adding imports and subtracting exports.

Table 8 — *Apparent steel consumption by Member State*

	<i>million tonnes</i>						
	I/1985	II/1985	III/1985	IV/1985	Total 1985	I/1986	II/1986
Belgium/Luxembourg	1.20	1.50	1.50	1.20	5.40	1.20	1.10
Denmark	0.50	0.40	0.40	0.50	1.80	0.40	0.40
Germany (FR)	8.70	9.40	9.10	8.30	35.50	9.30	9.20
Greece	0.40	0.40	0.40	0.60	1.80	0.50	0.40
France	4.10	4.10	3.60	3.90	15.70	4.10	4.10
Ireland	0.07	0.05	0.08	0.06	0.26	0.07	0.07
Italy	5.90	6.20	5.30	6.30	23.70	6.90	6.60
Netherlands	0.80	0.80	1.00	0.90	3.50	1.10	1.00
United Kingdom	3.40	3.80	3.40	3.70	14.30	3.70	3.30
EUR 10	25.07	26.65	24.78	25.46	101.96	27.30	26.20
					Spain	2.90	2.60
					Portugal	0.30	0.30
					EUR 12	30.50	29.10

Exports are suffering from the stagnating world market, which is due to the decline in consumption in the industrialized countries and in demand from East European countries, the USSR, China and the oil-producing countries. This is reinforced by the increased competition from newly industrialized countries; finally, sales on the American market will probably continue to decline.

As for imports, the carrying-over of arrangements with non-member countries (→ point 2.1.55) and strict monitoring of unfair competition should enable the slackening in the rate of growth of imports in the second half of 1986 to continue during the first months of 1987.

Outturn and production quotas for each category of product are compared in Table 9.

Table 9 — *Outturn and production quotas by product category*

		Production (finished steel products)			Production quotas					
		IV/85	I/86	II/86	IV/85	I/86	II/86	III/86 ¹	IV/86 ¹	I/87 ¹
Ia	Hot-rolled wide strips incl. hoop and sheet	5 392	5 840	5 532	5 512	5 062	4 146	3 832	3 537	3 172
Ib	Cold-rolled sheet	3 536	3 596	3 504	3 580	3 472	3 576	2 863	2 922	2 805

	Production (finished steel products)			Production quotas					
	IV/85	I/86	II/86	IV/85	I/86	II/86	III/86 ¹	IV/86 ¹	I/87 ¹
Ic Galvanized sheet	924	919	956	887	955	910	800	833	—
Id Other coated sheet	863	967	1 053	891	—	—	—	—	—
II Reversing-mill plate	1 346	1 305	1 241	1 433	1 469	1 410	1 140	1 294	1 206
III Heavy sections	1 209	1 257	1 167	1 252	1 349	1 273	1 001	956	956
IV Wire rod	2 752	2 788	2 828	2 877	2 986	2 641	2 214	2 166	2 251
V Reinforcing bars	1 949	1 950	1 919	1 854	—	—	—	—	—
VI Merchant bars	2 117	2 231	2 099	2 264	2 262	2 327	2 176	2 092	2 065

¹ Theoretical quotas without supplement or other adjustments.

Table 10 shows October employment trends year on year; it emerges that there are still considerable differences between Member States.

Table 10 — *Employment in the steel industry, October 1984 to October 1986*

	October 1984		October 1985		October 1986
	Employees	% change	Employees	% change	Employees
Belgium	37 850	— 7.95	34 594	— 7.98	31 834
Denmark	1 513	+ 11.37	1 685	+ 2.55	1 728
Germany (FR)	143 105	— 0.40	142 530	— 4.54	136 066
France	85 706	— 9.17	77 851	— 10.70	69 519
Ireland	668	— 20.51	531	— 1.51	523
Italy	77 467	— 11.01	68 937	— 1.34	68 011
Luxembourg	12 592	— 3.37	12 168	— 0.35	12 126
Netherlands	18 750	+ 1.27	18 989	+ 0.17	19 022
United Kingdom	60 267	— 2.83	58 562	— 6.59	54 700
EUR 9 Average annual rate	437 648	— 4.98	415 847	— 5.37	393 529

Competition

2.1.47. The Commission authorized Klöckner to acquire 26.4% of the capital of Hellenic Steel; the Commission concluded that the tests of Article 66(2) of the ECSC Treaty were satisfied, since the merger would not give the parties involved the power to hinder effective competition in the steel product market (→ point 2.1.108).

2.1.48. On 19 December the Commission authorized C. Walker & Sons Ltd, Blackburn, to acquire the capital of GKN Steelstock Ltd, Wolverhampton, at present a subsidiary of GKN plc, Redditch (→ point 2.1.109).

2.1.49. On 12 December the Commission decided to extend until 31 December 1991 its authorization to Saarlör to sell jointly fuels from the Lorraine coalfield and Saarbergwerke AG (→ point 2.1.110).

Accession-related measures

Protective measures for Spain

2.1.50. On 27 December, in response to the request made by the Spanish Government on 2 December, the Commission decided, on the basis of Article 379 of the Act of Accession, to extend the protective measures which it had already authorized Spain to take in March 1986¹ and extended in October,² with the aim of limiting imports of hot-rolled plate and sheet, heavy plate, cold-rolled sheet, galvanized sheet and wire rod from the other Member States. Spain is now authorized to limit imports of these products from 1 January to 31 December 1987, on condition that the ceilings applied are not lower than 399 000 tonnes for hot-rolled sheet and plate, 233 000 tonnes for cold-rolled sheet, 48 500 tonnes for heavy plate, 6 500 tonnes for galvanized sheet and 56 000 tonnes for wire rod.

Authorizing a quantitative limit until the end of 1987 appears sufficient to enable the desired result to be achieved. The Commission reserves the right to amend or cancel the authorization, taking account of the degree to which the sector concerned had adjusted to the common market and the progress made by the Spanish Government in defining the measures which it intends to take to meet the obligations incumbent on it under paragraphs 1 to 5 of Protocol 10 to the Act of Accession.

Protective measures for Portugal

2.1.51. On 23 December, at Portugal's request, the Commission also decided³ to extend to the end of 1987 the protective measures it had taken⁴ for the last quarter of 1986 on the basis of Article 379 of the Act of Accession, in particular with regard to imports of concrete reinforcing bars, plain bars, wire rod and small sections originating in Spain; the limits on these imports are 11 064 tonnes for concrete reinforcing bars including plain bars, 6 480 tonnes for wire rod and 1 440 tonnes for small sections.

Social measures⁵

Social measures for the steel and coal industries

2.1.52. On 16 December the Council refused to authorize the allocation of 115 million ECU now available in the EEC budget to finance the 1985 payments for social measures in the coal and steel industries, which had been proposed by the Commission in November.⁶ This entails the halting of exceptional measures which the Community has been implementing since 1981 for the steel industry⁷ and since 1984 for the coal industry⁸ to alleviate the social effects of restructuring. Consequently, from the multiannual programme for meeting expenditure on the early retirement of employees, which was proposed by the Commission in 1983,⁹ only the payment for 1984, amounting to 122.5 million ECU, will have been made.

Research

Social research

2.1.53. On 23 December the Commission decided to allocate 386 700 ECU of financial aid from the fifth research programme on the technical control of nuisances and pollution at the place of work and in the environment of iron and steel works¹⁰ under Article 55 of the ECSC Treaty. It also committed 29 363 ECU to cover the ancillary costs and the cost of disseminating the findings of this research.

2.1.54. On 19 December the Commission approved financial aid to a research project

¹ OJ L 80, 25.3.1986; Bull. EC 3-1986, point 2.1.25.

² OJ L 305, 31.10.1986; Bull. EC 10-1986, point 2.1.26.

³ OJ C 336, 31.12.1986.

⁴ OJ C 260, 17.10.1986; Bull. EC 10-1986, point 2.1.27.

⁵ For aid for the redeployment of steel workers, see point 2.1.141.

⁶ Bull. EC 11-1986, point 2.1.31.

⁷ Fifteenth General Report, point 272.

⁸ OJ L 208, 3.8.1984; Bull. EC 7/8-1984, point 2.1.173.

⁹ Bull. EC 4-1983, point 2.3.7; Bull. EC 10-1983, point 2.3.4.

¹⁰ OJ C 338, 31.12.1985; Bull. EC 12-1985, point 2.1.35.

under the fifth programme on ergonomics in the ECSC industries,¹ also under Article 55.

Trade with non-member countries

Imports

External aspects of the crisis measures

Arrangements with non-member countries

2.1.55. On 15 December, acting on a proposal from the Commission,² the Council adopted negotiating directives authorizing the Commission to conclude or renew for 1987 voluntary restraint arrangements for iron and steel with certain non-member countries. These directives differ from those for 1986 in that there is to be no arrangement with Australia (which exports very little steel to the Community) or Japn (exports from which are simply governed by an exchange of letters). The overall import quota for 1987 will remain the same as for 1986.

These arrangements will cover Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Austria, Finland, Norway, Sweden, Brazil (for which there are two separate arrangements, one for cast iron and one for steel), South Korea and Venezuela (at that country's express request). The arrangement with South Africa, following the decision to impose an embargo,³ has not been renewed.

Autonomous measures

2.1.56. On 16 December the Representatives of the Governments of the ECSC Member States adopted a Decision applying the generalized tariff preferences for certain steel products originating in developing countries (→ point 2.2.29).⁴

2.1.56a. On 22 December the Representatives of the Governments of the ECSC Member States adopted a Decision establishing

ceilings and Community supervision for imports of certain ECSC products originating in Yugoslavia.⁵

2.1.57. On 22 December the Council adopted a Regulation suspending the customs duty for ferro-chromium containing, by weight, not less than 4% but less than 6% of carbon, falling within CCT subheading ex 73.02 E I, coming from Spain.⁶

2.1.58. On 3 December the Commission initiated an anti-dumping proceeding concerning imports of sheet and plate from Mexico.⁷ It considers that the complaint lodged by Eurofer contains sufficient evidence of the existence of dumping practices and of injury to Community producers.

2.1.59. On 23 December the Commission adopted a Decision accepting an undertaking given in connection with the anti-dumping investigation concerning certain imports of iron or steel sheets and plates originating in Yugoslavia, and terminating the investigation.⁸

2.1.60. On 1 December the Commission authorized the German Government to make imports of steel originating in State-trading countries which are placed in free circulation in the other Member States subject to the granting of licences.

2.1.61. The placing in free circulation in the Benelux of angles, shapes and sections of iron and steel, not further worked than cold-formed or cold-finished (Nimex Codes 73.11-31, 39), originating in the German Democratic Republic, was made subject to quantitative restrictions until 31 December 1987. The maximum quota is 7 000 tonnes.⁹

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

² Bull. EC 11-1985, point 2.1.34.

³ OJ L 268, 19.9.1986; Bull. EC 9-1986, point 2.1.28.

⁴ OJ L 373, 31.12.1986.

⁵ OJ L 380, 31.12.1986.

⁶ OJ L 377, 31.12.1986.

⁷ OJ C 308, 2.12.1986.

⁸ OJ L 371, 31.12.1986.

⁹ OJ C 320, 13.12.1986.

Accession-related measures

2.1.62. On 22 December the Representatives of the Governments of the ECSC Member States, meeting in the Council, adopted a Decision establishing the arrangements to be applied to imports into Spain and Portugal of ECSC products originating in Austria, Finland, Norway, Sweden or Switzerland and covered by agreements between the Community and those countries.¹ This was needed because the additional protocols to the free trade agreements between the ECSC and the EFTA countries to take account of Spain's and Portugal's accession have not yet been ratified (→ point 2.2.16).

2.1.63. On 22 December the Representatives of the Governments of the Member States, meeting in the Council, adopted Decisions extending the provisional arrangements for trade between Spain and Portugal and (i) the overseas countries and territories and (ii) the African, Caribbean and Pacific States in products covered by the ECSC Treaty.²

Research and technology, industrial innovation and the information market

Community R&D policy

Council

2.1.64. There was a further Council meeting of Research Ministers on 9 December.³ The Council made an initial examination of the Commission's communication on a new plan of action relating to the evaluation of Community R&D activities (1987-91)⁴ and adopted a resolution acknowledging the importance of this dimension of research management.⁵ The Council also took note of the Commission's paper on relations between the Community and Eureka.⁶ It agreed on the importance of

maximizing the benefits of a complementary relationship between Community activities and Eureka projects and expressed its intention to examine at a later stage the details of the relationship between these two types of research.

The Council again made a detailed examination of the Commission's proposal concerning the framework programme for research and technological development (1987-91) (→ point 2.1.65) but was unable to reach a decision. The Council took no decision either on the revision of the JRC programme (1984-87) as regards activities during the final year.⁷ However, it did hold a preliminary exchange of views on the future role of the JRC in the light of the report entitled 'An industrial view of the JRC', drawn up at the Commission's request by a panel of senior European industrialists.⁸

Framework programme

New framework programme (1987-91)

2.1.65. As no decision had been taken on the framework programme for research and technological development (1987-91)⁸ at the 9 December meeting (→ point 2.1.64), the Research Ministers originally agreed to meet again on 22 December. As this meeting could not be held, it was no longer possible for the framework programme to be adopted before the end of 1986 as intended. The Commission expressed its regret at the confusion between programme and budget that had arisen after the Council's deliberations. It stressed that the framework programme, which lays down the objectives of the main lines of action in research and

¹ OJ L 382, 31.12.1986.

² OJ L 380, 31.12.1986.

³ Previous meeting: Bull. EC 10-1986, point 2.1.33.

⁴ Bull. EC 11-1986, point 2.1.44.

⁵ OJ C 2, 6.1.1987.

⁶ Bull. EC 11-1986, point 2.1.42.

⁷ Bull. EC 7/8-1986, point 2.1.36.

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

technological development over a period of five years, was not to be equated with a budgetary decision and voiced its concern at the serious effects on industrial competitiveness and scientific progress which would result from the probable delays in decisions on specific programmes that were ready to be launched. It noted that the outcome of the debate conflicted with repeated requests by the European Council (→ point 1.1.7)¹ and by Council meetings of Foreign Ministers² and Research Ministers;³ this was all the more regrettable in view of the fact that the framework programme was to have been the first instance of the application of the Single European Act.⁴

2.1.66. On 8 December Parliament adopted an opinion⁵ expressing its total support for the proposal for a framework programme for research and technological development (1987-91).⁶ It expected the Council to take an early decision on the Commission proposal with a view to the completion of a single market by 1992 and, above all, to endorse the overall budget considered necessary by the Commission; it urged the Commission to withdraw its proposal if the Council were to reduce the proposed appropriation further, thereby jeopardizing the framework programme and its objectives. Lastly, Parliament reserved the right to open the conciliation procedure should the Council intend to disregard its opinion.

Revision of the JRC programme for 1987

2.1.67. On 12 December Parliament delivered an opinion⁵ on the proposed revision of the JRC programme for 1987,⁷ approving it subject to certain provisos.

Stimulation of European scientific and technical cooperation and interchange

2.1.68. At a meeting in Brussels on 12 December the Committee for the European Development of Science and Technology

(Codest) recommended to the Commission 46 research projects for selection under the plan to stimulate scientific and technical cooperation and interchange (1985-88).⁸ These include a project for Community-wide cooperation in mathematical sciences, entitled Euromath.

The Committee decided to set up a subgroup to coordinate its work on the identification of future medium-term scientific developments. The chairman of the subgroup will be Professor Prigogine.

Lastly, it designated bio-communication as the main area of interest for 1987 and as the theme of the 1987 Codest conference. Within this general field one area which will command special attention is neuro-informatics, the science of the processing of data on the neuron model, at the meeting-point of neurology and computer science.

International cooperation

EFTA countries

2.1.69. On 12 December Parliament endorsed⁷ the Commission proposal to the Council concerning the conclusion on behalf of the Community of framework agreements on scientific and technical cooperation between the Community and Sweden, Switzerland, Finland, Norway and Austria.⁹

COST cooperation

2.1.70. Memoranda of understanding were signed in respect of the following

¹ Bull. EC 11-1985, point 1.1.1; Bull. EC 6-1986, point 1.1.4.

² Bull. EC 11-1986, point 2.1.40.

³ Bull. EC 10-1986, point 2.1.33.

⁴ Supplement 2/86 — Bull. EC.

⁵ OJ C 7, 12.1.1987.

⁶ OJ C 275, 31.10.1986; Bull. EC 7/8-1986, point 1.2.1 *et seq.*

⁷ Bull. EC 7/8-1986, point 2.1.36.

⁸ OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

⁹ Bull. EC 10-1986, point 2.1.35.

COST projects: 506 (Action on research to support industrial applications of light alloys) — by Spain, the Netherlands and Austria on 10 December; 306 (Automatic transmission of transport data) — by Denmark on 11 December; 215 (High bit rate optical fibre systems) — by Norway on 17 December; 88 (Methods of early detection and identification of plant diseases) — by Denmark and Germany on 18 December; 219 (Future telecommunications and teleinformatics facilities for disabled persons)—by Sweden on 18 December; 217 (Optical measurement techniques for advanced optical fibre devices and systems)—by Switzerland on 19 December and Turkey on 22 December.

Sectoral R&D activities

Energy

Nuclear fusion energy

2.1.71. On 15 December, in Brussels, the Community and the United States signed a framework cooperation agreement on research in the field of controlled thermonuclear fusion. This supplements the agreement signed in January¹ linking the world's three largest tokamaks (of which the Community's JET is one) and the framework agreement on cooperation in the field of fusion signed by the Community and Canada in March.²

The new agreement will enable the two parties, both of which have large-scale fusion research programmes, to reinforce their longstanding cooperation in this area. Such a step was particularly desirable in view of the similarity of the strategies pursued by the two programmes and the complementary nature of a number of the projects involved.

The cooperation set in train by this agreement will cover research into experimental fusion facilities (linking projects conducted on the existing large tokamaks with research on next-generation machines) and

in the field of magnetic confinement technology. It will involve exchanges of specialists, equipment and instruments and the joint execution of certain projects. In particular, there will be American participation—in the form of personnel and equipment—in the work carried out on JET and Tore-Supra, the largest superconductor tokamak in the world, currently under construction at Cadarache in France.

Non-nuclear energy

2.1.72. On 1 December, in Brussels, under the Community programme of research on non-nuclear energy (1985-88),³ the Commission signed contracts with three major electricity supply undertakings for the development of high-output wind generators: one 2-MW horizontal-axis wind generator with a 60-m-diameter rotor, mounted on a 51-m tower at Esbjerg, Denmark; a 1.2-MW horizontal-axis wind generator with a 60-m-diameter rotor, mounted on a 46-m tower at Cabo Villano, Galicia, Spain; a 1-MW horizontal-axis wind generator with a 55-m-diameter rotor, mounted on a 45-m tower at Richborough, Kent, UK.

The design and actual construction of these wind-driven generators will be subcontracted to small firms in the three countries concerned.

2.1.73. On 12 December, under the same programme, the Commission issued a third call for proposals in the area covered by the wind energy subprogramme.⁴

Industry

New technologies

Information technology

Esprit programme

2.1.74. On 11 December the Commission sent the Council a communication⁵ on the

¹ Bull. EC 1-1986, point 2.1.31.

² Bull. EC 3-1986, point 2.1.41.

³ OJ L 83, 25.3.1985; Bull. EC 3-1985, point 2.1.141.

⁴ OJ C 319, 12.12.1986. Previous calls: OJ C 146, 13.6.1986; Bull. EC 6-1986, point 2.1.57; OJ C 69, 16.3.1985; Bull. EC 3-1985, point 2.1.145.

⁵ COM (86) 687 final.

Esprit programme¹ entitled 'Esprit: The first phase — progress and results', thereby fulfilling the undertaking it gave, when the Council adopted its resolution of 8 April 1986,² to submit a supplementary report on the state of progress and results of the programme.

The communication presents the results achieved in the five sectors which make up the programme, namely microelectronics, software technology, advanced data processing, office automation systems and computer-integrated manufacturing.

It shows that the trans-European cooperation fostered by Esprit is beginning to produce tangible and useful results. The projects currently in progress have completed all or virtually all of the phases set out in the programme. Although this is only the third year of a 10-year programme, specific results which have an appreciable impact on industry have already been achieved.

As Esprit was launched and based on annual calls for proposals, 201 precompetitive R&D projects are under way in the fields of microelectronics, data-processing systems (software technology and advanced data processing) and IT applications (computer-integrated manufacturing and integrated systems).

Esprit has proved effective in the promotion of trans-European cooperation between IT organizations. In addition to universities and research institutes, some 240 different industrial partners are currently involved, of which 130 are small firms. The number of highly qualified research scientists working on Esprit in mid-1986 was estimated at 2 900.

Tedis programme

2.1.75. On 3 December the Commission sent the Council a communication on trade electronic data interchange systems (Tedis),³ accompanied by a proposal for a Council Regulation introducing the preparatory phase of a Community programme on such systems.⁴

The purpose of Tedis is to extend the concept of the standardized approach to electronic data interchange to all users. The programme ties in with the other steps taken by the Commission in relation to telecommunications, IT standards, Insis, Caddia and CD projects, the aim of which is to develop the technical infrastructure needed for the introduction and use of a standardized approach.

The Tedis programme will be implemented in two phases:

- (i) a preparatory phase lasting not more than two years with a budget of 6 million ECU, aimed at identifying and finding general solutions to common problems which are currently restricting the development of electronic data interchange systems in Europe;
- (ii) a pilot project phase which will start at the latest two years after the beginning of the programme, the content of which will be defined during the preparatory phase.

Telecommunications

Standardization

2.1.76. On 22 December the Council adopted a Directive on standardization in the field of information technology and telecommunications.⁵ This Directive is crucial to the establishment of a genuine Community market in IT and telecommunications. Furthermore, it is expected to help to improve the conditions of competition and the efficiency of information exchange in the Community.

It will make for an improvement of the process of preparing European standards and will serve as a basis for reference to standards in public procurement and for the provision of the technical specifications

¹ OJ L 67, 9.3.1984; Bull. EC 2-1984, point 1.3.1. *et seq.*

² OJ C 102, 29.4.1986; Bull. EC 4-1986, point 2.1.25.

³ COM (86) 662 final.

⁴ OJ C 2, 6.1.1987; COM (86) 662 final.

⁵ OJ C 232, 12.9.1985; Bull. EC 5-1986, point 2.1.21.

which will be needed for the preparation of technical regulations.

This Directive is complementary to the Directive of 24 July 1986 on the mutual recognition of type approval for telecommunications terminal equipment.¹

Coordinated introduction of ISDN

2.1.77. On 22 December the Council adopted,² with the endorsement of Parliament,³ a recommendation concerning the coordinated introduction of the integrated services digital network (ISDN) in the Community,⁴ having signified its approval of the recommendation in November.⁵

RACE programme

2.1.78. At its December session the Economic and Social Committee adopted an opinion on a proposal for a Regulation on a Community action in the field of telecommunications technologies (RACE)⁶ (→ point 2.4.36).

Health and safety

Radiation protection

2.1.79. From 26 to 28 November the Commission held a workshop at Angers, France, on 'Age-related factors in radionuclide metabolism', in the context of the research programme in the field of radiation protection (1985-89).⁷ Calculation of the doses received and the permissible limits of exposure to radionuclides becomes more complicated when the critical includes embryos, infants and children, whose radionuclide metabolisms differ markedly from that of adults. The purpose of the Angers workshop was to review existing data on the effects of age on radionuclide metabolism and to discuss the impact of age-related differences on the metabolic and dosimetric models used for calculating doses to the public.

Industrial innovation and the information market

Specialized information

2.1.80. On 30 December the Commission announced an open call for tenders⁸ under the Community programme for the development of the specialized information market in Europe.⁹

Customs union

Simplification of customs formalities

Customs formalities under the TIR convention

2.1.81. On 1 December the Council adopted a Regulation simplifying customs formalities at intra-Community frontiers for consignments under cover of TIR carnets (TIR convention).¹⁰ Under the simplified system, which is to have effect from 1 July 1987, the customs office of entry will carry out in addition to its present duties the customs formalities now undertaken by the corresponding office of exit.

General legislation

Release for free circulation

2.1.82. On 1 December the Council, acting on a Commission proposal,¹¹ adopted a

¹ OJ L 217, 5.8.1986; Bull. EC 7/8-1986, point 2.1.43.
² OJ L 382, 31.12.1986.
³ OJ C 7, 12.1.1987.
⁴ OJ C 157, 24.6.1986; Bull. EC 4-1986, point 2.1.27; OJ C 20, 27.1.1987; COM (86) 778.
⁵ Bull. EC 11-1986, point 2.1.54.
⁶ OJ C 304, 28.11.1986; Bull. EC 10-1986, point 2.1.44.
⁷ OJ L 83, 25.3.1985; Bull. EC 3-1985, point 2.1.141.
⁸ OJ C 335, 30.12.1986.
⁹ OJ L 314, 4.12.1984.
¹⁰ OJ L 341, 4.12.1986; Bull. EC 3-1986, point 2.1.56.
¹¹ OJ C 20, 22.1.1985; Bull. EC 12-1984, point 2.1.39a; OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.48.

Regulation laying down measures to prohibit the release for free circulation of counterfeit goods.¹ The purpose of this Regulation is to set up a Community framework enabling customs authorities to intervene where goods from non-member countries entered for free circulation are suspected of being counterfeit.

Repayment or remission of duties

2.1.83. On 12 December the Commission adopted a Regulation² which repeals and replaces the Regulation of 20 June 1980³ laying down provisions for the implementation of the Council Regulation of 2 July 1979 on the repayment or remission of import or export duties.⁴ The new Regulation enables Member States themselves to decide whether repayment or remission of duties should be authorized in certain situations, which are specified in the Regulation.

It involves a transfer of responsibility to Member States, without affecting in any way the smooth implementation of the Regulation of 2 July 1979.

Customs procedures with economic impact

2.1.84. On 11 December the Commission adopted a Regulation on the annulment or revocation of authorizations issued under certain customs procedures with economic impact.⁵ The Regulation is basically a modification of the provisions in the Regulation of 27 November 1985 on the annulment or revocation of authorizations for processing under customs control,⁶ extending their scope to cover inward and outward processing relief arrangements and the standard exchange system as well.

Common Customs Tariff

Nomenclature

2.1.85. For the purpose of ensuring uniform application of the CCT nomenclature,

the Commission adopted a Regulation on 15 December classifying a certain type of seven-ply panel in heading No 44.15.⁷

2.1.86. The Committee on CCT Nomenclature likewise adopted a number of tariff measures relating to the following subheadings: 90.28 A II a), 85.09 C and 84.53 B.⁸ These measures take the form of a tariff classification slip and agreements on the classification of goods.

Economic tariff matters

Suspensions⁹

2.1.87. In December the Council adopted two Regulations totally or partially suspending CCT duties on the following:

(i) certain agricultural products originating in Turkey (1987);¹⁰

(ii) certain products falling within CCT Chapters 1 to 24 originating in Malta (1987).¹⁰

2.1.88. The Council also adopted, on 8 December, a Regulation temporarily suspending the autonomous CCT duties on a number of industrial products.¹¹

Tariff quotas¹²

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

¹ OJ L 357, 18.12.1986.

² OJ L 352, 13.12.1986.

³ OJ L 161, 26.6.1980.

⁴ OJ L 175, 12.7.1979.

⁵ OJ L 350, 12.12.1986.

⁶ OJ L 317, 28.11.1985; Bull. EC 11-1985, point 2.1.50.

⁷ OJ L 356, 17.12.1986.

⁸ OJ C 312, 6.12.1986.

⁹ For iron and steel products, see point 2.1.57.

¹⁰ OJ L 380, 31.12.1986.

¹¹ OJ L 362, 20.12.1986.

¹² For beef/veal and buffalo meat, see points 2.1.222 and 2.1.223.

rosin (including 'brais résineux') obtained from wood, falling within CCT subheading ex 38.08 A (1987);¹

apricot pulp falling within subheading ex 20.06 B II c) 1 aa), originating in Morocco (1987);² in Tunisia (1987);² and in Israel (1987);²

certain petroleum products falling within Chapter 27, refined in in Spain (1987);²

other woven fabrics of cotton falling within heading No 55.09, originating in Spain (1987);²

frozen peas falling within subheading ex 07.02 B originating in Sweden (1987);³

cod, dried, salted or in brine, whole, headless or in pieces, falling within subheading 03.02 A I b) (1987);⁴

certain types of manufactured tobacco falling within heading No 24.02, processed in the Canary Islands (1987);⁵

'Sljivovica' plum spirit falling within subheading ex 22.09 C IV a), originating in Yugoslavia (1987);²

certain tobaccos falling within subheading ex 24.01 B, originating in Yugoslavia (1987);²

certain fishery products falling within heading No 03.01, 03.03 or 16.04 or subheading 23.01 B originating in the Canary Islands (1987);¹

dried grapes falling within subheading 08.04 B I, originating in Cyprus (1987);⁵

sweet peppers falling within subheading 07.01 S, originating in Cyprus (1987);⁵

fresh or dried hazelnuts, shelled or not, falling within subheading ex 08.05 G, originating in Turkey (1987);⁵

certain wines having a registered designation of origin, falling within subheading ex 22.05 C, originating in Yugoslavia (1987);⁵

coffee, unroasted and not freed of caffeine, and cocoa beans, whole or broken, falling within subheading 09.01 A I a) and heading No 18.01;²

fresh flowers falling within subheading 06.03 A, originating in the Canary Islands (1987);⁴

certain live plants falling within subheading ex 06.01 A, 06.02 A II or ex 06.02 D, originating in the Canary Islands (1987);⁴

new potatoes and avocados falling within subheadings 07.01 A II and 08.01 D, originating in the Canary islands (1987);⁴

fillets of cod falling within subheading 03.02 A II a), originating in Norway (1987);¹

cod, dried, salted or in brine, falling within subheading 03.02 A I b), originating in Norway (1987);⁴

certain kinds of prepared or preserved fish falling within subheading ex 16.04 G II, originating in Norway (1987);¹

beans (of the species *Phaseolus*), onions and sweet peppers, falling within heading No ex 07.01, originating in the Canary Islands (1987);⁴

wine of fresh grapes falling within subheading ex 22.05 C, originating in Cyprus (1987);⁵

liqueur wines falling within subheading ex 22.05 C, originating in Cyprus (1987);⁵

prepared or preserved sardines falling within subheading 16.04 D, originating in Morocco (1987);⁵

salad beetroots, falling within subheading ex 07.01 G IV, originating in Cyprus (1987);⁵

newsprint falling within subheading 48.01 A (1987), and extending this quota to include certain other types of paper;²

tomatoes, cucumbers and aubergines, falling within heading No ex 07.01, originating in the Canary Islands (1987);⁴

prepared or preserved sardines falling within subheading 16.04 D, originating in Tunisia (1987);⁵

¹ OJ L 375, 31.12.1986.

² OJ L 374, 31.12.1986.

³ OJ L 349, 11.12.1986.

⁴ OJ L 377, 31.12.1986.

⁵ OJ L 380, 31.12.1986.

sweet, clear-fleshed cherries, marinated in alcohol, falling within subheading ex 20.06 B I e) 2 bb), intended for the manufacture of chocolate products;¹

boysenberries, preserved by freezing, not containing added sugar, intended for any form of processing except for the manufacture of jam entirely from boysenberries, falling within subheading ex 08.10 D;¹

certain kinds of polyethylene terephthalate film falling within subheading ex 39.01 C III a);²

a certain variety of polyvinylpyrrolidone falling within subheading ex 39.02 C XIV a);²

certain magnesium grades falling within subheading 77.01 A;²

deep-frozen fillets and minced blocks of hake falling within subheadings ex 03.01 B II b) 9 and ex 03.01 B I t) 2;³

hake, frozen, whole, headless or in pieces, falling within subheading ex 03.01 B I t) 2;³

cod, fresh or chilled, falling within subheading 03.01 B I h) 1.³

2.1.90. In December the Council also adopted a Regulation opening tariff quotas for the importation into Spain of certain fishery products falling within CCT heading No 03.01, 03.02, 03.03 or 16.04 or subheading 23.01 B, originating in the Canary Islands or in Ceuta and Melilla (1987).²

Generalized tariff preferences⁴

2.1.91. Further to its decision of 24 November on the generalized preferences scheme for 1987,⁵ the Council adopted on 16 December Regulations implementing generalized preferences for textile, industrial and agricultural products for 1987.⁶

Community surveillance of imports⁴

2.1.92. In December the Council adopted Regulations establishing ceilings and Community surveillance of imports of certain textile products originating in Malta,⁷ Cyprus⁸ and Yugoslavia.⁹

2.1.93. The Council adopted a Regulation opening and providing for the administration of a Community preferential ceiling for certain petroleum products refined in Turkey and establishing Community supervision of imports thereof (1987).⁸

Origin

2.1.94. On 23 December the Commission adopted a Regulation on the definition of the concept of 'originating products' and methods of administrative cooperation applicable to imports into the Community of products originating in the Occupied Territories (West Bank and Gaza Strip).¹⁰

This Regulation, the effect of which is backdated to 16 November, was adopted pursuant to Article 3 of the Council Regulation of 27 October on the tariff arrangements applicable to imports into the Community of products originating in these territories.¹¹

The rules of origin and the methods of administrative cooperation set out in this Regulation are based on those existing in the 'origin' Protocols to the various Mediterranean agreements, with certain modifications. The Chambers of Commerce in the Occupied Territories have been authorized to issue EUR. 1 movement certificates and are responsible for ensuring all necessary administrative cooperation with the relevant authorities in the Community.

¹ OJ L 355, 16.12.1986.

² OJ L 375, 31.12.1986.

³ OJ L 364, 23.12.1986.

⁴ For steel products, see points 2.1.56 and 2.1.56a.

⁵ Bull. EC 11-1986, point 2.2.30.

⁶ OJ L 373, 31.12.1986.

⁷ OJ L 374, 31.12.1986.

⁸ OJ L 380, 31.12.1986.

⁹ OJ L 377, 31.12.1986.

¹⁰ OJ L 381, 31.12.1986.

¹¹ OJ L 306, 1.11.1986; Bull. EC 10-1986, point 2.2.49a.

Competition

Restrictive practices, mergers and dominant positions: specific cases

Prohibited horizontal agreements

Fatty acids

2.1.95. On 2 December the Commission adopted a decision fining Unilever, Henkel and Oleofina for having operated an exchange of information agreement which was contrary to Article 85(1) of the EEC Treaty.¹

The fine imposed on each of the three companies was 50 000 ECU.

Faced with structural overcapacity and stagnant growth rates, Unilever, Henkel and Oleofina in 1979 concluded an agreement to exchange confidential information about their sales of oleine and stearine (fatty acids). The agreement was terminated at the end of 1982 upon the Commission's suggestion, after an investigation had been carried out.

Fatty acids are used in a variety of industries as constituents of soaps and detergents, cosmetics, toiletries, paints and resins as well as industrial lubricants and processed foods. They are also used in the manufacture of plastics and rubber and the treatment of paper and textiles.

The parties to the agreement are the three most important producers of fatty acids in the Community, and between them held about 60% of the relevant product market at the time of the agreement.

The three companies began by establishing their respective average market shares over the preceding three-year period. Subsequently they exchanged information about their total sales of the relevant products in Europe in each quarter. The exchange of this information, normally regarded as business secrets, provided each of them with a means to monitor the activities of its major

competitors and to adjust its own behaviour accordingly. This kind of agreement or behaviour normally has an inherent tendency to maintain the status quo in the market and thus restrict competition.

The decision is important in that it is the first time the Commission has prohibited a pure exchange of information agreement between competitors. Nevertheless, the Commission found it appropriate to impose fines for the infringement, notably because it had already made known its attitude to agreements of this kind,² following the lines indicated by the Court of Justice in the *Sugar* cases.³

The decision is also important in that it shows that the Commission is prepared to intervene and to impose sanctions for agreements or behaviour in their early stages before they develop into full-blown cartels and before all their potentially damaging effects on the market are actually felt.

Belgian banks

2.1.96. Following Commission intervention, a wide range of restrictive practices in the Belgian banking sector have been discontinued. At the same time, the Commission has exempted under the EEC competition rules three agreements which were notified to it by the Belgische Vereniging der Banken/Association Belge des Banques (Belgian Banks' Association — BVB/ABB); these agreements are beneficial to the fluidity of banking transactions.⁴

The Association, which at the end of the first half of 1986 comprised 84 of the 86 banks in Belgium, had notified a series of restrictive agreements concluded on the Association's initiative. These agreements were the subject of a statement of objections issued by the Commission in spring 1985. The objections concerned restrictive prac-

¹ OJ L 3, 6.1.1987.

² Seventh Report on Competition Policy, points 5 to 8.

³ Joined Cases 40 to 48, 50, 54 to 56, 111, 113 and 114/73 *Suiker Unie and Others v Commission* [1975] ECR 1663.

⁴ OJ L 7, 9.1.1987.

tices in respect of commissions charged by the banks for their services. Following discussions between the Association and the Commission departments in charge of competition matters, however, the Association decided to abandon the agreements to which the Commission objected with effect from 1 April 1986, except for three, which were retained in part.

The Commission has consistently maintained that the competition rules apply to banking as elsewhere, a policy upheld by the Court of Justice in the *Züchner* case.¹ The Commission's decision to exempt agreements on uniform Eurocheques under Article 85(3), adopted on 10 December 1984, was its first formal decision in the banking sector.² The present decision breaks new ground in that it determines the compatibility with Community competition law of the entire range of banking agreements concluded within a national banking association. But the Commission reserved its position regarding the agreement on interest rates, as it had done in the recent decision concerning the Associated Banks in Ireland.³

The three agreements which remain in force restrict competition because they contain provisions concerning the amount of rebates and commissions charged for acting as intermediary, and lay down the principle of charging a commission.

Nevertheless, these three agreements are exemptable, in particular because they contribute to an appreciable improvement of the services provided to the customers, and because the commissions are only maxima and are not necessarily charged to customers.

The Commission has attached an obligation to the decision: the Association is required to inform the Commission immediately of any addition or amendment to the three agreements in question and of any new agreement concluded between its members within the Association. The exemption applies for 10 years from 30 May 1986, which is the date on which the Association notified the Commission of the final version of the three agreements.

Italian banks

2.1.97. Following intervention by the Commission, the Associazione Bancaria Italiana (Italian Banks Association — ABI) has abandoned a number of interbank agreements, part of a series of 15 agreements and recommendations notified by the Association on 11 October 1984.

The Association is a non-profit-making organization comprising practically all credit institutions in Italy (banks, savings banks, agricultural credit institutions, financial and leasing companies, etc.). On 31 December 1984 there were 1 096 credit institutions operating in Italy, with a total of 12 965 branches.

Ten ABI agreements now remain in force; the Commission gave seven of these negative clearance, and exempted the three others. In granting negative clearance, the Commission said that one agreement did not restrict competition, being of a purely technical nature, but that the six others did restrict competition when they stated the amount of the commissions and value dates for the remuneration for services provided by one bank at the request of another.

However, in view of the circumstances prevailing in Italy these agreements did not appreciably affect trade between Member States: the interbank services they covered were either restricted to Italian territory (e.g. the Bancomat convention) or concerned economic activities which, as a result of the contractual measures in question or their very nature, were carried on inside Italy only.

The three agreements exempted were an agreement on the Italian bills and documents collection and/or acceptance service, an agreement on the service of collecting bank cheques and similar instruments payable in Italy, and an agreement on a new, uniform type of lire traveller's cheque; here

¹ Case 170/80 *Züchner v Bayerische Vereinsbank* [1981] ECR 2021.

² Bull. EC 12-1984, point 2.1.58.

³ Bull. EC 10-1986, point 2.1.64.

the Commission found that the four tests for exemptability laid down in Article 85(3) of the EEC Treaty were satisfied:

- (i) the agreements were intended to meet the need to standardize and rationalize the services offered, and to permit banks to provide a more efficient and cheaper service;
- (ii) the joint fixing of the remuneration for the service was inherent in the collaboration between banks, and made the centralization of payments possible.

Moreover, the agreements in question did not directly concern relations between banks and their customers, the extent to which the value dates and commissions are passed on to customers being left to the discretion of the bank requesting the service, and constituted only one element of the final cost of the service provided to customers.

The Commission reserved its position on the two parts of the old agreement (since changed into a recommendation) concerning interest rates and commissions. In the case of interest rates this is due to the need to verify the monetary policy arguments advanced in the notification in the light of experience over a period of time. As regards the commissions and value dates applicable to interbank relations, the modification of these rules will be the subject of detailed examination.

The Commission's decision is subject to the condition that the Association must inform the Commission without delay of any change to the commissions or value dates specified in the agreements, and of any new agreements concluded between the members and itself. The exemption is granted for 10 years, to have effect from 11 October 1984, the date upon which the agreements were notified to the Commission.

Futures markets

2.1.98. On 4 and 11 December the Commission adopted five decisions on commodity futures markets, finding that there were no grounds for action under the com-

petition rules of the EEC Treaty ('negative clearance') in respect of the articles of association and regulations notified by five futures market associations.¹

The five associations are:

- (i) The International Petroleum Exchange of London Ltd,
- (ii) The Gafta Soya Bean Meal Futures Association Ltd,
- (iii) The London Grain Futures Market,
- (iv) The London Potato Futures Association Ltd, and
- (v) The London Meat Futures Exchange Ltd.

The object of these associations is to set up and to administer futures markets in London for petroleum-based products, soya bean meal, grain, potatoes, and meat products. Following objections raised earlier by the Commission in four similar cases (sugar, cocoa, coffee and rubber),² references to set minimum commissions were deleted from the articles and regulations notified here. Membership of the associations is open, and the criteria by which applications for membership are judged are objective.

The Commission found that the articles and regulations of the associations did not contain clauses which constituted appreciable restrictions on competition within the common market, and accordingly held that they qualified for negative clearance.

Permissible forms of cooperation

ENI and Montedison

2.1.99. On 4 December, acting under Article 85(3) of the EEC Treaty, the Commission authorized agreements between Ente Nazionale Idrocarburi (ENI) and Montedison SpA which represent the basic step for the restructuring of the Italian petrochemical industry.³

¹ OJ L 3, 6.1.1987, OJ L 19, 21.1.1987.

² OJ L 369, 31.12.1985.

³ OJ L 5, 7.1.1987.

The decision applied the Commission's competition policy to an industry suffering from a structural crisis with a view to overcoming its difficulties.

The agreements between ENI and Montedison provided for a reciprocal transfer of parts of their petrochemical business, notably cracking products, thermoplastics and certain rubbers. The parties also entered into supply and plant management contracts to cope with the new situation of plants or complexes of plants which has originally been designed as integrated petrochemical operations but in which some facilities were now owned by one party and some by the other.

The Commission considered that the deal was not limited to a simple transfer of assets, because the legal and economic effects of the reciprocal swap arrangements had to be seen as a whole. The agreements led to a clear-cut division of labour between the parties, and substantially eliminated the competition that previously existed between them; this affected trade between Member States.

However, the Commission decided that the ENI-Montedison deal satisfied the tests for exemption laid down in Article 85(3). The agreements were an essential step in the restructuring of an industry suffering from serious structural overcapacity in the whole Community. The parties were enabled to rationalize more quickly and radically than would have been possible without it. In particular, the rationalization provided the opportunity for closing down obsolete facilities. Moreover, the deal did not afford the parties the possibility of eliminating competition either in the Community or in Italy. Finally, under conditions where workable competition is maintained, as was the case here, a good part of the cost savings which the rationalization made possible would in the medium term be passed on to consumers.

The Commission concluded that, to ensure the effectiveness of the radical reorganization which was to be carried out under the ENI-Montedison agreements, a long-term

exemption (15 years) was indispensable. However, in order to allow careful monitoring of the competitive structure of the industrial sectors involved, the parties are required to submit a complete report to the Commission every three years on the implementation of the agreements.

Distribution

Pronuptia and Yves Rocher

2.1.100. On 17 December the Commission authorized standard form distribution contracts used by Pronuptia¹ and Yves Rocher² with the franchised retailers of their products (wedding dresses and cosmetics) in several Member States of the Community.

The contracts involved in each case entail an obligation on the franchisor to grant franchisees the exclusive right, within a defined area, to use its industrial property rights (name, trade marks, symbols, and registered designs and models) for the retailing of its products. The franchisor further undertakes to transfer its commercial know-how to its franchisees and to supply them with technical and commercial assistance.

The franchisees are legally independent traders carrying on business at their own risk. They are responsible for the cost of fitting out their premises in accordance with specifications laid down by the franchisor. The franchisees pay certain sums to the franchisors and operate their outlets in accordance with the trading methods developed by the franchisor, which are laid down in an operating manual. They undertake to retail only products under the franchisor's name and not to carry on a competing business during the life of the agreement and for a period of one year after its termination, within certain territorial limits.

The franchisees are free to set their own resale prices, those mentioned by the fran-

¹ OJ L 13, 15.1.1987.

² OJ L 8, 10.1.1987.

chisor being merely guidelines. Furthermore, franchisees are also free to buy from or sell to each other.

In accordance with the judgment of the Court of Justice in *Pronuptia*,¹ the Commission considers that in view of the clarifications and amendments which have been made, the two franchise networks do not in themselves restrict competition, having regard to the structure of the markets involved, but that, on the contrary, they improve and strengthen competition.

The contracts permit each of the two franchisors to set up and expand a distribution network with similar business methods and a uniform range and quality of articles available to the public, without having to invest in the premises of its sales outlets. They also allow economic operators without the necessary experience access to a business name with an established reputation and to tried and tested trading methods.

The obligations imposed on franchisees do not restrict competition, since they are the prerequisite for the proper functioning of the networks: they either safeguard their uniformity and reputation, or prevent the divulgence or indirect use by competitors of the know-how and knowledge transferred by the franchisor to the franchisees under the terms of the contracts.

Nevertheless, the contracts do lead to a degree of market sharing and restricts competition within the networks by granting an exclusive territory to each franchisee. They may, however, be exempted under Article 85(3) of the EEC Treaty. For the franchisees would not be willing to take on the not insubstantial cost of joining the network unless they were assured of exclusive use, within their territory, of the trading methods, the experience and the reputation of the franchisor. The contracts also entail advantages for consumers, who will benefit from increased competition and may more easily purchase from an identical range of products presented in the same way in several Member States.

As Mr Sutherland had promised in a statement on the occasion of the *Pronuptia* judg-

ment,² the Commission has in these decisions reinforced legal certainty for firms, complementing the Court's view of franchise agreements and defining the conditions for the exemption of such agreements under Article 85(3).

Shell (Netherlands)

2.1.101. In December the Commission gave a formal ruling rejecting a complaint that Shell's contracts with its petrol station tenants in the Netherlands infringed the competition rules.

The Vereninging Exploitanten benzinestations (VEB), an association of tenants of petrol stations which are owned by Shell Nederland Verkoopmaatschappij, the Dutch sales subsidiary of Shell, had complained to the Commission that the discount scheme operated by the company involved indirect resale price maintenance and price discrimination.

The facts established by the Commission were that the discount scheme was operated solely to support the margins of retailers that had to reduce their pump prices to meet competition on their local market. Shell granted or refused a discount on the basis of its own appraisal of local competitive conditions. The Commission did not consider that this practice involved indirect resale price maintenance.

Nor were the lower net wholesale prices thereby charged to some retailers than to others thought to involve discrimination that infringed the competition rules. The Commission found no evidence of differential pricing which was not justified by differences in local inter-brand competitive conditions.

Although rejecting VEB's complaint against the Shell discount scheme, the Commission drew Shell's attention to the fact that the scheme must not lead to discrimination between retailers of the same brand compet-

¹ Case 161/84, not yet reported; Bull. EC 1-1986, point 2.1.48.

² Bull. EC 1-1986, 2.1.48.

ing with each other on the same local market.

Any individual retailer considering that he had been the victim of intra-brand discrimination could seek redress in his national courts. The Commission's task was to police distribution systems to prevent systematic discrimination of a kind that would be incompatible with the common market.

Industrial property — Copyright

Boussois/Interpane

2.1.102. On 15 December the Commission granted an exemption from the competition rules under Article 85(3) of the EEC Treaty for a licensing agreement between the German firm Interpane and the French firm Boussois. The agreement licenses Boussois to use the know-how Interpane has developed on a process for applying fine thermal insulation coatings to flat glass for making double glazing units. The know-how is secret and of substantial importance, being indispensable for the use of Interpane's technology. Only one of the types of coatings developed by Interpane is patented and only in seven of the Member States.

The agreement was notified in late 1983. The sophisticated technology involves cathode sputtering under vacuum of alternate layers of a metal and a metal oxide onto the glass.

Three clauses in the contract present restrictions of competition falling within Article 85(1) of the Treaty. These are: (a) the exclusivity of manufacturing and sale granted to Boussois for France, (b) the prohibition of Boussois from manufacturing outside France, and in particular in other Member States, although it is allowed to sell in any other country until such time as Interpane appoints another exclusive licensee there, and (c) the prohibition of Boussois and the future licensees appointed by Interpane for countries other than France from directly exporting, actively or passively, into each other's territories. In view of the special circumstances of the case and in particular

the economic background, the Commission believed that the three restrictions nevertheless fulfilled the conditions for exemption under Article 85(3). The exemption has been granted from the date of notification until the end of the five-year period from the date of the contract which the parties regard as the average life cycle of technology in the industry and which they have agreed as the duration of the various contractual obligations, in particular those of secrecy and exclusivity.

The Decision brought further clarification of the application of the Treaty competition rules in the field of industrial property. First of all, it elucidated the scope of the Commission's block exemption Regulation No 2349/84 for patent licence agreements.¹ This covers patent licences under which know-how useful in exploiting the patents is also transferred, but does not apply to cases like the present where the know-how is not merely 'thrown in' with the patent licence but is the major element of the licence package, that which makes the technology work. Another factor precluding application of the Regulation was the absence of parallel patents in five of the Member States.

Secondly, the Decision demonstrated the Commission's favourable attitude towards know-how licence agreements and was an important step in the preparation of a specific block exemption regulation for such agreements.

X/Open Group

2.1.103. The introduction of open industry standards in information technology is a major objective of the Commission's industrial policy. The use of such standards means, *inter alia*, that small and medium-sized companies in the Community may compete for the supply of goods and services in this very important industry. Competition policy can be instrumental in furthering the introduction of such open industry standards.

¹ OJ L 219, 16.8.1984; Bull. EC 7/8-1984, point 2.1.50.

Consistent with this policy, the Commission granted an exemption under the EEC rules on competition to the members of the X/Open Group. As a result users should get a wider choice of software and be released from their dependence on a single supplier.

The current members of the X/Open Group are Bull (France), DEC International (Europe) (Switzerland), LM Ericsson (Sweden), ICL (United Kingdom), Nixdorf (Germany), Olivetti (Italy), Philips (Netherlands), Siemens (Germany) and Unisys (originally Sperry) (USA). Their aim is to establish a standard interface for use in Europe between application software and a particular version of the Unix¹ operating system. This will enable an application programme which implements this standard to be moved between machines of different make and capacity ('portability'). The standard will be published so that it can be used by independent software houses. The software industry will thus be presented with a much bigger market than that offered by each of the members individually. This attraction of the standard for the software industry may, in turn, result in other computer manufacturers being interested in implementing the standard.

In its decision the Commission found that a distortion of competition might result from the opportunity for members to implement the standard earlier than non-members but that this distortion was easily outweighed by the advantages inherent in the introduction of such an open industry standard. Users had tended to be locked into a particular proprietary system by their investments in application programs. The cooperation between the members of the X/Open Group meant, however, that users were likely to receive a wider choice of software and that they would have a possibility of 'mixing and matching' hardware and software from different suppliers. The cooperation further meant that users' investments in software were protected if their requirements as to machine capacity changed with business growth. An exemption was therefore granted for the cooperation.

Joint ventures

Mitchell Cotts/Sofiltra

2.1.104. In pursuance of its policy of encouraging constructive forms of business cooperation, the Commission on 17 December took a decision under the EEC Treaty's competition rules exempting a joint venture arrangement between a UK firm, Mitchell Cotts (Engineering) Ltd, and a French firm, Sofiltra Poelman SA.

The case highlights the Commission's positive approach to industrial cooperation in the form of joint ventures, particularly when high technology is transferred and European companies come together to extend their activities to new markets.

It involves the transfer by the French parent to the joint venture company (Mitchell Cotts Air Filtration Ltd) of the know-how necessary for the manufacture of high-efficiency air filters. The know-how transfer is crucial to the cooperation since the UK parent did not possess either the relevant high technology or the research and development facilities necessary to manufacture the products independently.

The arrangements involve certain restraints on the commercial freedom of the parties. Obligations regarding confidentiality in respect of the know-how and disclosure of improvements to one another as well as the obligation not to grant sublicences were considered not to be appreciable restrictions of competition. The obligation on the joint venture company not to manufacture or deal in competing products was also considered in the context of integrated industrial cooperation within a joint venture not to be an appreciable restriction.

However, the exclusive licence granted to the joint venture to manufacture air filters in the United Kingdom meant that Sofiltra would not itself manufacture there or appoint other licensees there. This could not, without some time limitation, be con-

¹ Unix is a trade mark of AT&T Bell Laboratories.

sidered strictly necessary for the formation and proper operation of the joint venture. Therefore, it restricted competition, as did the territorial protection between Sofiltra and the joint venture provided for in the agreement.

A full investigation of the facts, however, led the Commission to find that the restrictions contributed to an improvement in production and distribution and produced benefits for the consumer. Furthermore, the arrangements were regarded as being indispensable to attain the benefits to which the joint venture gave rise. Exemption was therefore granted for the joint venture and know-how transfer agreements.

URG

2.1.105. On 20 November the Commission sent a comfort letter to British Nuclear Fuels plc (BNFL), Compagnie Générale des Matières Nucléaires (Cogema) and the Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen mbh (DWK) concerning their agreement of 2 June to make fundamental changes to their joint venture United Reprocessors GmbH (URG). URG was set up in 1971 by BNFL, the Commissariat à l'Énergie Atomique (CEA) and Kernbrennstoff-Wiederaufarbeitungsgesellschaft mbh (KEWA) with the main objects of marketing nuclear oxide fuel reprocessing services and arrangement of associated transport services. The 1971 agreement was exempted by the Commission on 23 December 1975.

The new agreement between BNFL and the successors of the CEA and KEWA, Cogema and DWK, replaces the 1971 agreement, which expires at the end of 1986, and sets out how the joint venture will operate from 1 January 1987. The joint company will keep the form of a GmbH but will from now on have functions closer to those of a trade association.

Thus, the parties will exchange information about matters such as R&D programmes, new regulations in the Member States and their technical implications, waste manage-

ment policy and experience with transport, and all other aspects of the general business environment of irradiated nuclear fuel reprocessing. However, URG will no longer play an active part in the exchange of know-how.

The new agreement also explicitly provides that URG will no longer have an executive role in the marketing of reprocessing services or coordination of the parties' investment, as it did under the previous agreement. The parties will have complete freedom in these areas.

The capital of URG will initially be held by the three parties equally. Later on, other organizations with a serious intention of committing investment in an industrial reprocessing plant in a Community country may apply to join URG and may acquire up to a quarter of its capital.

In view of the terms of the new agreement, the Commission was able to inform the parties that its examination of the agreement had not revealed any grounds under Article 85(1) for further action on its part.

Mergers

Cogea

2.1.106. On 19 December the Commission authorized Nuova Italsider SpA under Article 66 of the ECSC Treaty to transfer its shareholding in Consorzio Genovese Acciaio SpA (Cogea) to the Leali, Lucchini, Riva, Bellicini, Regis and Sassone groups.

Cogea was set up to take over the steelmaking facilities at Nuova Italsider's Genoa-Cornigliano plant when the plant's wide strip mill, where most of the crude steel had been used, was closed down as part of the restructuring of the Community steel industry coordinated by the Commission. Nuova Italsider owned 80% of the company and two other Finsider subsidiaries, Dalmine and Deltasider, 14% and 6%.

Under the share sale agreement, Nuova Italsider has now sold most of its interest in Cogea to Leali, Lucchini, Riva, Bellicini,

Regis and Sassone, which, after scrapping crude steel and intermediate products capacity equivalent to 2 220 110 tonnes of crude steel in their own plants, needed extra steelmaking capacity and found the redundant Cornigliano facilities well-suited to their needs.

The agreement provides that for a transition period of two to three years, during which it should be possible to determine the final value of the Cogea facilities, Nuova Italsider will retain a shareholding of 12.41% and Dalmine and Deltasider their present holdings of 14% and 6%, while Leali will have 22%, Lucchini 9.32%, Riva 17.20%, Bellicini 1.80%, Regis 11.47% and Sassone 5.80%. At the end of the transition period Leali, Lucchini and Riva will have the option of raising their holdings to between 32.27% and 61% and Nuova Italsider of disposing of all or part of its remaining stake.

The share sale means that the new shareholders will acquire joint control of Cogea, leading to a merger within the meaning of Article 66 of the ECSC Treaty between Cogea and each of the new shareholders without these themselves being merged.

The agreement also provides for:

- (i) each party to purchase a quantity of intermediate products (Blooms and billets) from Cogea in proportion to its shareholding;
- (ii) the selling price to be based on the average price charged by domestic producers on the national market;
- (iii) each party to be allowed to transfer all or part of its quota to another.

Cogea's annual production capacity will be raised during the transition period to 1 million tonnes of intermediate products, equivalent to 1 170 000 tonnes of crude steel, which is 4.92% of Italian and 1.10% of Community production.

The benefits of the agreement are:

- (i) a reduction of 1.4 million tonnes in crude steel production capacity;

- (ii) better exploitation of Cogea's integrated facilities;

- (iii) considerable economies of scale as a result of the concentration of intermediate product production at Cornigliano instead of being scattered over several plants at different sites;

- (iv) a major contribution to the restructuring and competitiveness of the Italian and hence Community steel industry.

In view of these benefits, the Commission considered that the transaction satisfied the requirements for authorization laid down in Article 66(2) of the ECSC Treaty.

Laurweg/Gesellschaft zur Rückgewinnung von Rohstoffen

2.1.107. On 17 December the Commission authorized Laurweg GmbH to acquire a 50% shareholding in Gesellschaft zur Rückgewinnung von Rohstoffen mbH (GRR), which treats and dries the residues left after the flotation of coal to recover further low-grade coal. The share sale is connected with a cooperation agreement between Laurweg's parent, the coal producer Eschweiler Bergwerksverein AG, Herzogenrath (EBV), and GRR's parent, Bruno Fechner, under which the latter will make available to Laurweg its long experience in upgrading such residues.

The coal recovered from the Laurweg mine will be sold close to the place of production in North Rhine-Westphalia. As EBV's share of this market will still be quite small even with the extra recovered coal from the Laurweg mine, the Commission considered that the merger between Laurweg and GRR would not have effects disqualifying it from authorization under Article 66(2) of the ECSC Treaty.

Klößner Stahl/Hellenic Steel

2.1.108. On 4 December the Commission authorized Klößner Stahl GmbH, Duisburg, to acquire 26.4% of the share capital of Hellenic Steel Co., Athens.

Hellenic Steel is at present controlled jointly by the Hellenic Industrial Development Bank SA, Athens (ETBA), and the Japanese company C. Itoh & Co. Ltd, Tokyo. Following the proposed transaction, Hellenic Steel will be controlled jointly by ETBA, Itoh and Klöckner.

Hellenic Steel produces cold-rolled steel sheet, galvanized sheet and tinplate. Klöckner produces cold-rolled sheet but not the other two products. An assessment of the projected merger under the ECSC competition rules showed that Klöckner and Hellenic Steel combined would be in ninth place among Community producers of cold-rolled sheet.

The Commission concluded that the competition-safeguarding tests of Article 66(2) of the ECSC Treaty were met as the parties concerned would not have the power to hinder effective competition for steel products as a result of the merger.

C. Walker & Sons/GKN Steelstock

2.1.109. On 19 December the Commission authorized C. Walker & Sons Ltd, Blackburn, to acquire the share capital of GKN Steelstock, Wolverhampton, which is currently a subsidiary of GKN, Redditch.

Both Walker and GKN Steelstock are stockholding merchants with a network of depots situated in various parts of the United Kingdom. Walker and GKN Steelstock combined would have about 21% of the UK stockholders' market in ECSC steel products. They will have to face competition from a large number of other stockholders, from UK steel producers, including the British Steel Corporation, which has its own stockholding subsidiary, and from direct imports of steel by UK consumers.

The examination of the proposed transaction showed that it meets the competition-safeguarding tests of Article 66(2) of the ECSC Treaty, and so the Commission granted its authorization.

Extension of authorization of Saarlor joint coal selling agency

2.1.110. On 12 December the Commission extended until the end of 1991 its authoriza-

tion of the joint selling agency for coal from the Lorraine coalfields and Saarbergwerke AG, Saarlor.¹ The authorization dates from 1959 and has several times been extended, most recently in February 1982.

State aid

General aid schemes

Aid for environmental protection

2.1.111. Up to now the Commission's scrutiny of aid proposals for environmental protection measures has been based on the criteria laid down in the 'Community approach to State aids in environmental matters'. This was adopted in 1974,² and in 1980 it was decided to extend it with slightly modified criteria for a further six years.³

Under these criteria environmental aid schemes qualify for exemption under Article 92(3)(b) of the EEC Treaty if the following conditions are fulfilled:

- (i) the aid is intended to facilitate the implementation of new environmental standards;
- (ii) it does not exceed 15% net grant equivalent of the value of the aided investment;
- (iii) only firms having installations in operation for at least two years before entry into force of the standards in question may qualify for aid;
- (iv) the eligible firm must bear the entire cost of normal replacement investments and operating costs.

Aid proposals not meeting these criteria may be authorized under the other exemptions in Article 92(3)(a) and (c). These exemptions are restricted to special circumstances (e.g. to support environmental R&D).

¹ OJ L 20, 22.1.1987.

² Eighth General Report, point 167.

³ Tenth Report on Competition Policy, point 226; Bull. EC 7/8-1980, point 2.1.38.

When the approach was adopted in 1974, it was considered a transitional measure mainly aimed at catching up on the substantial backlog of investments necessary in this field.

However, developments since then have changed the context of environmental policy. These developments call into question the concept of a purely transitional approach since it is now clear that improvement in the environment and the need to avoid distortions of competition caused by national measures in this area will remain a major task for an indefinite period.

In view of the changed context of environmental policy as outlined above, the Commission has begun a review of the application of the 'polluter pays' principle.¹ The work will be undertaken on the basis of a detailed analysis of the current situation and an assessment of foreseeable future developments. Pending this review, the Commission decided on 19 December to continue to apply for the period covered by the fourth environment action programme (1987-92) the existing Community rules on State aid for the environment, using the same criteria as were set out in 1980 for the period 1980-86. However, the Commission reserves the right to alter its criteria before the expiry of the environment action programme if the outcome of its review suggests the necessity and urgency of modifications on environmental or competition policy grounds.

Netherlands

2.1.112. On 3 December the Commission decided not to raise any objection to an aid scheme for re-employment of long-term unemployed notified to it by the Dutch Government. Employers taking on people who have been out of work for over three years in jobs additional to their existing workforce before 31 December 1987 will be eligible for a reduction in their social security charges equal to 15% of the new employees' salaries for four years.

The scheme also offers a one-off grant of HFL 4 000 to employers or associations of

employers who establish retraining programmes for the long-term unemployed.

In its decision, the Commission took account of the fact that long-term unemployment is a mounting problem and that the scheme would create new jobs and provide an incentive, at a low aid intensity, to keep the workers in the new jobs for a relatively long period.

Italy

2.1.113. On 3 December the Commission decided not to raise any objection to an aid scheme for cooperatives introduced by Act 49/85 and its implementing legislation, which had been notified late by the Italian Government. The legislation set up two funds, Foncooper, with a budget of LIT 94 000 million, which can provide low-interest loans to small cooperatives for restructuring or increasing labour productivity or employment, and a Special Fund, with a budget of LIT 90 000 million, to assist new cooperatives set up by redundant workers with grants. The new cooperatives may have only up to 100 workers and may not be in sensitive industries. The Commission considered that the scheme qualified for exemption under Article 92(3)(c) of the EEC Treaty.

Regional aid

Denmark

2.1.114. On 9 December the Commission initiated the Article 93(2) procedure in respect of some of the changes notified by the Danish Government to its regional aid scheme on 9 September. The changes adapt the area coverage of the scheme to developments in the regions' economic and social situation since the last review in January 1981.

The steadily increasing prosperity of the country caused the Commission to doubt the justification for retaining certain areas

¹ OJ L 194, 25.7.1975.

in the scheme as ordinary or special development areas, where their economic indicators showed them to be little worse-off than the national average.

Germany

2.1.115. On 17 December the Commission approved some of the changes in the conditions for the award of automatic investment grants (*Investitionszulagen*) notified to it on 28 January and initiated the Article 93(2) procedure in respect of other changes. The changes approved included the reduction in the maximum investment cost per job supported and the bringing forward of the date for applications for regional investment grants. The deletion of the 'prosperity' clause from the conditions for award of investment grants for restructuring and basic rationalization in the zonal border area was approved subject to the Commission's decision on aid in the zonal border area under Article 92 (2) (c).

With regard to the lifting of the restriction on the combination of regional and research investment grants, the Commission referred to the notice it had published under Article 93(1) on the cumulation of aid for different purposes.¹

It was prepared, in principle, to waive the notification rules laid down in the notice if:

- (i) multiple aid awards were subject to clear ceilings;
- (ii) the ceilings covered all aid that could be given to the same project;
- (iii) the aid intensity represented by the ceilings was compatible with the common market.

However, the ceilings notified by the German Government did not satisfy these conditions as they only limited the size of aid packages combining one of the three types of automatic investment grants (research, regional and energy sector) with a discretionary investment grant but not that of combinations of two or more of the three types of automatic investment grants together or with other types of aid. The

Commission therefore doubted whether the possible combinations (of the research investment grant with the regional investment grant, the energy sector grant with the research investment grant, or any of these with other types of aid) would be compatible with the common market and decided to initiate the Article 93(2) procedure in respect of these aspects of the scheme.

Industry aid

Electronics

France

2.1.116. On 3 December the Commission terminated the Article 93(2) procedure² in respect of two subsidized loans extended by the Industrial Modernization Fund (FIM) to the computer and auxiliary equipment manufacturer Bull (FF 200 million) and the semiconductor manufacturer Matra-Harris (FF 150 million).

After considering the information supplied by the French Government, the Commission concluded that the aid was supporting the manufacture of genuinely innovative electronic products and would not affect trading conditions to an extent contrary to the common interest and so qualified for exemption under Article 92(3) (c).

Rubber

France

2.1.117. On 3 December the Commission terminated the Article 93(2) procedure² in respect of an FIM subsidized loan of FF 65 million to the rubber goods manufacturer Hutchinson.

After considering the information supplied by the French Government, the Commission concluded that the aid was intended to promote the manufacture of genuinely innova-

¹ OJ C 3, 5.1.1985.

² Bull. EC 12-1985, point 2.1.71.

tive products as part of a large restructuring programme and would not affect trading conditions to an extent contrary to the common interest, and that therefore the exemption provided for in Article 92(3) (c) was applicable.

Glass

Belgium

2.1.118. On 3 December the Commission decided that a proposal to grant aid under the 1959 Economic Expansion Act for investment by the flat glass manufacturer Glaverbel at Moustier (Namur) was incompatible with the common market and the Belgian Government could not go ahead with it.

The Commission had initiated the Article 93(2) procedure on 13 January¹ on the ground that the investment, involving renovation and modernization of two float lines, did not warrant State aid. During the procedure the Belgian Government emphasized that the investment, costing BFR 1 200 million, would make it possible to produce coloured and coated flat glass directly on the float line.

The Commission based its final decision on the fact that the renovation of a float is in principle a normal replacement and modernization investment and that the part of the aid relating to the production of coated flat glass would affect trading conditions to an extent contrary to the common interest, given the clear overcapacity situation in the Community for toughened and coated glass.

Paper and board

Netherlands

2.1.119. On 10 December the Commission initiated the Article 93(2) procedure in respect of aid the Dutch Government was planning to give for investment in the solid board industry.

The industry exports half its output and the investment would increase production and

capacity. The Commission therefore felt that the aid, in the form of grants totalling HFL 7.4 million, was likely to distort competition and affect trade between Member States and that none of the exemptions from Article 92(1) were applicable.

Aluminium

Italy

2.1.120. On 17 December the Commission terminated the procedure initiated in December 1984² and November 1985³ concerning aid to the Italian State-owned aluminium industry (controlled by the State holding company EFIM).

The LIT 1 445 000 million of aid provided since 1983 or still to be provided in the form of capital, grants and low-interest loans was considered eligible for exemption under Article 92(3) (c) because the restructuring of Italy's State-owned aluminium industry contributed to the restructuring of the industry in the Community as a whole, without adversely affecting trading conditions to an extent contrary to the common interest. Under the EFIM restructuring plan, capacity would be reduced in the most sensitive sectors (primary and extrusions), frozen in the less sensitive sectors (rolled semis and foil) which still face a small degree of overcapacity and expanded in the growth sectors (special aluminium and newly developed finished products).

Motor vehicles

United Kingdom

2.1.121. On 17 December the Commission initiated the Article 93(2) procedure in respect of the UK Government's proposal to provide new equity capital of an unspecified amount to the Rover Group to support the

¹ Bull. EC 1-1986, point 2.1.52.

² Bull. EC 12-1984, point 2.1.72.

³ Bull. EC 11-1985, point 2.1.62.

restructuring of its two commercial vehicle subsidiaries.

The capital injection, which is to be used for debt write-offs and restructuring costs for both subsidiaries after privatization, could not be considered a provision of risk capital according with standard investment practice in a market economy because of the financial difficulties of the group, and the Commission therefore felt that it involved aid falling within Article 92(1).

From the limited information available the Commission also thought the aid would be incompatible with the common market.

Shipbuilding

2.1.122. On 22 December the Council adopted by a qualified majority a new sixth Directive on aid to shipbuilding, which the Commission had proposed on 2 October.¹

The Directive is to apply for four years from 1 January 1987. The Council agreed to a common aid ceiling of 28% instead of the 26% initially proposed by the Commission.² Special transitional arrangements have been provided for Spain and Portugal subject to their implementation of rationalization programmes to make their industries competitive by the end of the period. Portugal, however, has decided to apply the Directive in full for a trial period, with an option of reverting to the transitional arrangements any time before the end of February 1988 if strict application of the ceiling made the rationalization too drastic.

In approving the Directive, the Council demonstrated its commitment to restore intra-Community competition and to encourage the shipyards to fight competition from elsewhere, especially the Far East, in the market segments where they are most competitive.

The common aid ceiling should help to achieve this objective. It covers all aid, both direct and indirect, and whether provided by Member States' central, regional or local government, for the construction or purchase of ships. The ceiling was set by the

Commission at the level necessary to bridge the difference in costs between the most efficient Far Eastern and Community yards for the types for ship for which Community yards are most competitive.

In addition, aid for investment, closures and R&D can be granted under certain conditions. This does not count towards the ceiling.

Also, to avoid excessive amounts of aid being given for building small ships for which there is scarcely any competition from non-member countries, proposals to grant aid of over 20% for building ships costing less than 6 million ECU must be notified to the Commission in advance. There is also provision for annual reviews of the ceiling by the Commission, with the aim of gradually reducing it.

Finally, the Directive imposes reporting requirements on the Member States to maintain complete transparency of aid. These are essential for the success of the new policy.

2.1.123. On 12 December Parliament gave its opinion³ on the proposal for a sixth Directive on aid to shipbuilding.¹

Parliament regretted that no attempt had been made to fit the Community policy on aid to shipbuilding into a more ambitious Community strategy for the industry, without which the aid policy was doomed to be a *de facto* sectoral policy. It felt that a complementary strategy for the whole industry should embrace suitable measures to alleviate the social and regional impact of restructuring and the assignment of a higher priority to defending European shipbuilding in international trade negotiations. Parliament also called for measures to expand cooperation between Community yards, so that they could take advantage of the Community-wide dimension of ship-

¹ OJ C 281, 7.11.1986; Bull. EC 10-1986, point 1.2.1 *et seq.*

² Bull. EC 11-1986, point 2.1.92.

³ OJ C 7, 12.1.1987.

building, which was so far completely lacking.

2.1.124. The Economic and Social Committee also gave its opinion in December on the proposed shipbuilding aid Directive¹ (→ point 2.4.37).

Financial institutions and taxation

Financial institutions

Insurance

Annual accounts of insurance companies

2.1.125. On 23 December the Commission adopted for transmission to the Council a proposal for a Directive on the annual accounts of insurance undertakings.²

The proposal, foreshadowed in the White Paper on completing the internal market,³ is a complement to the Council Directive of 25 July 1978 on the annual accounts of certain types of companies,⁴ which, pending subsequent coordination, left Member States free not to apply its provisions to insurance companies. The current proposal effects the coordination in question, but it also includes undertakings with a legal structure not covered by the 1978 Directive, to avoid creating distortions of competition in the insurance market.

The proposal provides for the disclosure by insurance companies, at the end of each financial year, of details of their economic and financial situation (balance sheet) and of their operating results (profit and loss account).

Winding up of insurance companies

2.1.126. On 23 December the Commission adopted for transmission to the Council a proposal for a Directive relating to the

compulsory winding up of direct insurance undertakings.⁵

The proposal lays down rules to be applied when withdrawal of authorization leads to compulsory winding up. Two forms of winding up are provided for, depending on whether authorization is withdrawn for administrative reasons or because of insolvency. In cases of insolvency, the proceeds of realizing the assets representing technical reserves as recorded in compulsory up-to-date registers are distributed between the various categories of insurance creditors in accordance with the rules and order of precedence laid down in the Directive. Employees of the insurance company also have a call on these separate asset funds.

The main purpose of the proposal is to ensure, through a single Community procedure, that all insurance creditors receive equal treatment when an insurance company is subject to compulsory winding up. The proposal, which was foreshadowed in the White Paper on completing the internal market,³ would make it easier to provide direct insurance services in this large market.

Banks

Annual accounts and consolidated accounts

2.1.127. On 8 December the Council adopted the Directive⁶ on the annual accounts and consolidated accounts of banks and other financial institutions.⁷ This Directive fills a gap left by the fourth company law Directive⁸ as regards credit

¹ OJ C 281, 7.11.1986; Bull. EC 10-1986, point 1.2.1 *et seq.*

² COM(86) 764.

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

⁴ OJ L 222, 14.8.1978.

⁵ COM(86) 768.

⁶ OJ L 372, 31.12.1986.

⁷ OJ C 130, 1.6.1981; Bull. EC 3-1981, point 2.1.31; OJ C 83, 24.3.1984; Bull. EC 3-1984, point 2.1.54; OJ C 351, 31.12.1985; Bull. EC 12-1985, point 2.1.80.

⁸ OJ L 222, 14.8.1978.

institutions and at the same time brings such institutions within the scope of the seventh Directive,¹ allowing for the special features of the banking sector.

The new Directive lays down harmonized rules for the whole Community for the publication of detailed information by banks and other financial institutions at the end of each financial year, covering both their economic and financial situation and their operating results, in the form of a balance sheet, a profit and loss account, notes on the accounts and an annual report. Harmonization of the layout and content of the balance sheet and the profit and loss account, with identical nomenclature, terminology and valuation rules, makes the annual and consolidated accounts of these institutions comparable throughout the Community, something of crucial importance for creditors, borrowers, members and the general public.

The coordination of rules on annual accounts and consolidated accounts also has an impact on other areas in which work is undertaken to complete the internal market, in particular the observation ratios for supervisory purposes and prudential returns.

Monitoring and controlling large exposures of credit institutions

2.1.128. On 22 December the Commission adopted a recommendation on monitoring and controlling large exposures of credit institutions. The purpose of the recommendation is to restrict an institution's scope for concentrating lending on one borrower (a single borrower or a group of connected borrowers) or a very small number of borrowers. An exposure to one borrower is considered to be large when its consolidated value has reached or exceeded 15% of the institution's own funds. A report of every large exposure must be made by the credit institution to its competent authorities at least annually.

Large exposures are subject to two limits: no credit institution may incur an exposure

whose value exceeds 40% of its own funds; and no credit institution may incur aggregate large exposures exceeding 800% of its own funds.

The recommendation is part of the harmonization of prudential rules applying to credit institutions, the aim of such harmonization being to achieve mutual recognition of monitoring procedures.

Introduction of deposit-guarantee schemes in the Community

2.1.129. The Commission also adopted on 22 December a recommendation concerning the introduction of deposit-guarantee schemes in the Community. The purpose of the recommendation is to supplement the proposal for a Directive (put to the Council in December 1985) relating to the reorganization and the winding up of credit institutions,² which provides, among other things, that branches of credit institutions having their head office in another Member State must join the deposit-guarantee scheme in operation in the Member State in which they are established so as to be able, in the event of a winding up revealing insufficient assets, to cover their customers' deposits under the conditions laid down in that scheme.

This rule can be fully effective only if guarantee schemes exist in all the Member States. This is not the case: only six Member States have one or more such schemes (Belgium, the Federal Republic of Germany, Spain, France, the Netherlands and the United Kingdom); schemes are under consideration in three other Member States (Italy, Ireland and Portugal); the remaining three Member States have not yet recognized the need for the establishment of such a scheme to protect depositors.

The Commission recommends that Member States promote the introduction at national level of deposit-guarantee schemes satisfying certain minimum conditions, and

¹ OJ L 193, 18.7.1983.

² OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.81.

establishes a timetable for the introduction of such schemes in the light of the situation in each Member State. The timetable is based on the dates planned for adoption and implementation of the abovementioned Directive in line with the White Paper on completing the internal market.¹ The Commission opted for a recommendation rather than a binding legal instrument such as a directive for two reasons: first, the aim pursued is already included in the December 1985 proposal for a Directive;² and, second, this approach should enable the Member States to have the spontaneous cooperation of the banking community, which will be of vital importance in setting up and operating the schemes.

Taxation

Indirect taxes

Turnover taxes

2.1.130. With the introduction of value-added tax in Greece on 1 January 1987, this system of indirect taxation is now being applied throughout the Community.³

2.1.131. On 10 December the Council, on the basis of a Commission communication,⁴ authorized⁵ the United Kingdom to introduce a measure derogating from Article 27(1) to (4) of the sixth VAT Directive of 17 May 1977.⁶

The measure replaces a previous derogation whose scope it restricts: reduced value relief for long stays in hotels, with the part of the service that is deemed to correspond to a letting of immovable property assessed on a flat-rate basis, will henceforth be available only to individuals who personally occupy the accommodation. Companies will no longer be able to claim it.

2.1.132. On 12 December the Commission sent the Council a communication on the elimination of distortions of competition of a fiscal nature in the transport of goods by

road: study of vehicle taxes, fuel taxes and road tolls (→ point 2.1.298).

Tax exemptions

Tax exemptions applicable to imports of personal property

2.1.133. On 16 December the Commission sent the Council a proposal for a Directive amending the Council Directive of 28 March 1983 on tax exemptions applicable to permanent imports from a Member State of the personal property of individuals (→ point 2.1.162).

Travellers' allowances

2.1.134. The European Council, meeting in London on 5 and 6 December, noted the importance attached by several Member States to travellers' allowances. In view of the concern expressed by these Member States, it called upon the Council and the Commission to find solutions to these problems (→ point 1.1.10).

2.1.135. On 2 December the Commission sent the Council a proposal for a Directive⁷ amending once again the Council Directive of 28 May 1969⁸ as regards a derogation granted to Denmark relating to the rules governing turnover tax and excise duty on imports in international travel. Under the proposal Denmark would be given an extra year to adapt to the full quantitative limits for travellers' allowances. Application of the full quantitative limits, previously planned for 1 January 1990, would be postponed to 1 January 1991.

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

² OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.81.

³ Bull. EC 11-1986, point 1.3.5.

⁴ COM(86) 697 final.

⁵ OJ L 359, 19.12.1986.

⁶ OJ L 145, 13.6.1977.

⁷ COM(86) 703 final.

⁸ OJ L 133, 4.6.1969. Previous amendment: OJ L 183, 16.7.1985.

Employment, education and social policy¹

2.1.136. At its meeting in London on 5 and 6 December the European Council stressed the importance of adopting an action programme for employment growth (→ point 2.1.138). It also emphasized that economic and social progress and the constant improvement of the living and working conditions of the people of Europe were central goals of the Community. The Community must be a major force for growth in the 1980s and 1990s.

Council

2.1.137. On 11 December the Council meeting on labour and social affairs approved a resolution on an action programme on employment growth (→ point 2.1.138). It also approved a Decision to extend to Spain and Portugal specific Community action to combat poverty (→ point 2.1.149).

The Council adopted a Regulation amending Regulations Nos 1408/71 and 574/72 on social security for migrant workers (→ point 2.1.156). Lastly, it adopted a Directive on equal treatment between men and women engaged in an activity, including agriculture, in a self-employed capacity, and on the protection of self-employed women during pregnancy and motherhood (→ point 2.1.152).

It continued its work on the proposal for a Directive on the protection of workers by the proscription of specified agents and/or work activities.²

Pending receipt of Parliament's opinion, the Council exchanged views on the proposed Directive on the protection of workers from the risks related to exposure to benzene at work.³

Lastly, the Council took note of a report from the Commission on youth training in the Community and of the conclusions drawn.⁴

Employment

Employment and labour market

2.1.138. On 11 December the Council approved a resolution on an action programme on employment growth in which it expresses its determination to concentrate on strengthening the cooperation between Member States in promoting new business and employment growth: more efficient labour markets, improved training for young people and adults and more help for the long-term unemployed. It further undertakes, in full agreement with the Commission, to take the decisions and measures necessary to achieve those objectives. The Council called on the Commission to present the first proposals for implementing this programme before the next Council meeting on labour and social affairs.

The resolution was formally adopted on 22 December.

2.1.139. On 17 December the Economic and Social Committee approved an own-initiative opinion on local employment initiatives and on the criteria for and efficiency of integrated operations in this field (→ point 2.4.33).

Free movement of workers

2.1.140. The Technical Committee on Freedom of Movement for Workers met in Brussels on 7 December. Delegations outlined the main features of the migration policies of their respective countries, giving the data available for 1986 and forecasts for the first half of 1987.

¹ For social research in the steel industry, see points 2.1.53 and 2.1.54.

² OJ C 270, 10.10.1984; Bull. EC 9-1984, point 2.1.51; Bull. EC 6-1985, point 2.1.82.

³ OJ C 349, 31.12.1985; Bull. EC 11-1985, point 2.1.88.

⁴ Bull. EC 5-1986, point 2.1.75.

Financial instruments

Measures for ECSC workers¹

2.1.141. In December the Commission approved a further batch of aid measures²

under Article 56(2)(b) of the ECSC Treaty. The aid consists mainly of income supplements in the event of early retirement, unemployment or re-employment and aid for vocational training. Table 11 gives a breakdown of the aid granted.

Table 11 — *Redeployment aid to workers in the coal and steel industries*

	Coal industry		Steel industry	
	Workers	Amount (ECU)	Workers	Amount (ECU)
Belgium	—	—	106	251 500
Germany	1 950	7 105 000	3 984	10 332 500
France	4 554	17 000 000	—	—
Italy	—	—	208	577 000
United Kingdom	25 842	42 704 500	1 586	2 954 250
Total	32 346	66 809 500	5 884	14 115 250

Special financial support for Greece

2.1.142. Under the Regulation on exceptional financial support in favour of Greece in the social field,³ the Commission approved on 22 December applications for support submitted by the Greek Government totalling some 18.64 million ECU for the construction, adaptation and equipping of vocational training centres in the Athens area and centres for the vocational rehabilitation of the mentally ill and mentally handicapped.

Education and vocational training

Higher education

2.1.143. On 10 December Parliament adopted a resolution on the failure so far to adopt the Erasmus programme (→ point 2.4.21).⁴

Transition from school to working life

2.1.144. The first high-level conference on Community education and training policies

and, more particularly, the programme concerning the transition of young people from school to adult and working life⁵ was held in Lisbon from 3 to 5 December. Participants discussed the results and strategies of the programme and the situation and opportunities for action in Portugal. Representatives from several Member States gave details of the pilot schemes being carried out under the programme at both national and European levels.

2.1.145. On 4 December a meeting organized by the Commission was held with the European Parents' Association, which represents parents' associations in all the Member States, to discuss the Community programme on the transition from school to adult and working life.⁵ There was a broad exchange of views on the contribution parents could make to the transition process, and further contacts were planned.

¹ For social support measures for coal and steel, see point 2.1.52.

² Bull. EC 7/8-1986, point 2.1.94.

³ OJ L 86, 31.3.1984; Bull. EC 3-1984, point 2.1.71.

⁴ OJ C 7, 12.1.1987; Bull. EC 11-1986, point 2.1.106.

⁵ OJ C 38, 19.2.1976.

2.1.146. The European Trade Union Committee for Education held a Mediterranean regional conference in Madrid from 15 to 17 December, attended by participants from the Commission and a number of Member States (Spain, Portugal, Greece, Italy and France), to examine 'the effects of the accession of the new Member States and the programme on the transition of young people from school to adult and working life'.¹ The trade union representatives expressed a keen interest in the programme and the results obtained by its pilot schemes. They asked that they be fully involved in the last year of the programme. The Spanish and Portuguese representatives reported on similar developments in their countries and expressed the wish that pilot schemes also be set up there, should a new programme be adopted.

Vocational training

2.1.147. The Advisory Committee on Vocational Training met on 16 and 17 December. The two main items discussed concerned the action required to enable small businesses to benefit from vocational training as a strategic factor for business growth (action aimed in particular at training for executives and owners of firms), and the key role that education and vocational training could play in a strategy to overcome the problem of long-term unemployment.

The Committee also took note of a statement by the Spanish delegation on vocational training in Spain, the programme proposed by the European Centre for the Development of Vocational Training for 1987, the results of work by the Eurotecnet network on new information technologies and vocational training and, lastly, the progress of the programme on the comparability of vocational training qualifications.²

Youth exchanges

2.1.148. On 3 December the Commission consulted representatives of governments and other organizations referred to in

Article 9 of the Council Decision of 13 December 1984³ to review the operation of the third programme, set up by that Decision, on exchanges of young workers within the Community. The number of young workers who took part in the programme in 1986 more than doubled, and the programme now covers all 12 Member States.

Living and working conditions and social protection

Fight against poverty

2.1.149. On 11 December the Council decided to increase by 4 million ECU the 25 million ECU earmarked in the Decision of 4 December 1984⁴ so as to extend the 1985-88 poverty programme to Spain and Portugal.⁵

The Decision was formally adopted on 22 December.⁶

Labour law and industrial relations

2.1.150. The Joint Committee on Inland Navigation met on 12 December. Draft reports were submitted on working conditions in inland waterway transport excluding the Rhine and on vocational training. It was also decided to speed up the work on occupational health and safety.

2.1.151. On 25 December the Commission met representatives of commercial agents' organizations to inform them about the Council Directive adopted earlier in the month on the coordination of the laws of the Member States relating to self-employed commercial agents (→ point 2.1.13), which addresses the relationships between commercial agents and their principals.

¹ OJ C 38, 19.2.1976.

² OJ L 199, 31.7.1985; Bull. EC 7/8-1985, point 2.1.88.

³ OJ L 331, 19.12.1984; Bull. EC 12-1984, point 2.1.93.

⁴ OJ L 2, 3.1.1985; Bull. EC 12-1984, point 2.1.95.

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

⁶ OJ L 382, 31.12.1986.

Equal opportunities for men and women

2.1.152. On 11 December the Council, acting on a Commission proposal,¹ adopted a Directive on the application of the principle of equal treatment between men and women engaged in an activity, including agriculture, in a self-employment capacity, and on the protection of self-employed women during pregnancy and motherhood.² The Directive is designed to eliminate all provisions which are contrary to the principle of equal treatment in respect of the establishment, equipment or extension of a business or the launching or extension of any other form of self-employed activity, including financial facilities. It also provides that without prejudice to the specific conditions for access to certain activities which apply equally to both sexes, the conditions for the formation of a company between spouses may not be more restrictive than the conditions for the formation of a company between persons who are not married to each other.

The Directive also contains provisions on social protection and encouraging the recognition of work by spouses who do not have the status of self-employed workers. Lastly, it broaches the question of protection for self-employed workers or the wives of self-employed workers during pregnancy and motherhood.

2.1.153. The Advisory Committee on Equal Opportunities met in Brussels on 16 and 17 December. Among the items it discussed were positive measures for women, the role of the various contact networks to be developed, possible Community initiatives in the fields of taxation and equal treatment, and the protection of pregnancy and motherhood.

2.1.154. A number of conferences and seminars were held:

(i) a conference on women and vocational training (London, 8 and 9 December), where the topics discussed included vocational training for underprivileged women and girls, vocational training for

self-employed women and women heading small firms, and vocational training for skilled women and girls, with special reference to new technologies;

(ii) a seminar on women in higher education, scientific research and new technologies (Lisbon, 10 to 12 December), which analysed the position of women, especially in Portugal, in these three sectors;

(iii) a seminar on the application of the various Directives on equal treatment for men and women (Athens, 11 and 12 December), the first to be held following the Louvain-la-Neuve symposium held from 22 to 24 May 1985;³ discussions centred on the application of the equal treatment Directives in Greece.

Social integration of disabled persons

2.1.155. On 9 and 10 December the Commission organized a meeting in Brussels with European and international disabled persons organizations, at which a wide-ranging exchange of views was held on all the present and future aspects of the Community programme for disabled persons.

Social security for migrant workers

2.1.156. On 11 December the Council, acting on a proposal from the Commission,⁴ adopted a Regulation⁵ amending Regulations (EEC) Nos 1408/71⁶ and 574/72⁷ on social security for migrant workers, in order to regulate the position of persons who are simultaneously in paid employment and self-employed in two or more Member States.

¹ OJ C 113, 27.4.1984; Bull. EC 3-1984, point 2.1.76.

² OJ L 359, 19.12.1986.

³ Bull. EC 5-1986, point 2.1.50.

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

⁵ OJ L 355, 16.12.1986.

⁶ OJ L 149, 5.7.1971.

⁷ OJ L 74, 27.3.1972.

Accession-related measures

2.1.157. On 23 December the Commission amended¹ its proposal² to amend Regulations Nos 1408/71³ and 574/72,⁴ making technical adjustments necessitated by the accession of Spain and Portugal to the Community.

Health and safety**Health and safety at work**

2.1.158. To enable the Advisory Committee on Safety, Hygiene and Health Protection at Work to deliver an opinion on the Commission's document 'Mechanical engineering: machines', the *ad hoc* working party on safety (technical aspects) took a further, more detailed look at the document at its meeting of 9 and 10 December.

Culture**Conservation of the Community's architectural heritage**

2.1.159. Following the call for proposals for pilot projects to conserve the Community's architectural heritage, published in April,⁵ the Commission approved the choice of 13 important monuments in the Member States: the remains of the Greek ramparts behind the Bourse at Marseilles; the Forum in Rome; Charlemagne's palace chapel in Aachen cathedral; the Romanesque Cistercian abbey of Santa Maria do Bouro (Amares), Portugal (12th to 18th centuries); the church of Saint Nicholas at Edam, Netherlands (15th to 17th centuries); Stavronikita monastery on Mount Athos, Greece (16th century); the naval arsenal at Rochefort (Charent-Maritime), France; the House of the Dukes of Brabant on the Grand-Place in Brussels (17th century); the Georgian (Palladian) Castletown House at Celbridge, Ireland; the Temple of Piety at Studley Royal Gardens near Ripon, United Kingdom; the Danish Museum of Decorat-

ive Arts in Copenhagen (18th century); the archeological and industrial site at Differdange, Luxembourg; and the Alhambra, Granada, Spain (11th to 16th centuries).

A people's Europe**Easing of restrictions on Community nationals which undermine the Community's credibility****Free movement of citizens***Tourism*

2.1.160. On 22 December the Council, having received Parliament's opinion,⁶ adopted three Commission proposals annexed to the communication of 31 January on Community action in the field of tourism:⁷

(i) The Council resolution on a better seasonal and geographical distribution of tourism seeks to remedy the overconcentration of holidays in a short period of the year. It asks the Member States to encourage the extension of tourist seasons and to stagger holidays more, with advertising campaigns to promote this; to pay special attention to developing areas or sites that offer underexploited tourist facilities, thus creating alternative types of holidays; and to work with one another and with the Commission to combine their efforts to secure a better seasonal and geographical distribution of tourism.

(ii) The Council recommendation on standardized information in existing hotels seeks to standardize the information contain-

¹ COM(86) 749 final.

² Bull. EC 3-1986, point 2.1.79.

³ OJ L 149, 5.7.1971.

⁴ OJ L 74, 27.3.1972.

⁵ OJ C 97, 25.4.1986; Bull. EC 4-1986, point 2.1.80.

⁶ OJ C 7, 12.1.1987.

⁷ OJ C 114, 14.5.1986; Supplement 4/86 — Bull. EC; Bull. EC 1-1986, points 1.4.1 to 1.4.7.

ned in official hotel guides. This information is currently presented differently in each country, which can create difficulties for tourists.

It suggests that these guides should have a multilingual introduction explaining how to use them. The names of the hotels listed should be accompanied by information, presented by means of standardized symbols, about high, shoulder and low seasons, prices and services available.

(iii) The Council Decision establishing a procedure for consultation and coordination in the tourist sector has been made necessary by the industry's complexity and its links with many other areas of economic activity. The Decision also prescribes the setting up of a consultative committee on tourism with a chairman from the Commission, which would discuss the reports that the Member States have undertaken to send to the Commission on the measures they have taken or, where possible, that they are planning to take.

2.1.161. The Community has published in the United States an advertisement for tourism in the 12 Member States. This was the first time it undertook such a venture anywhere in the world. A large illustrated advertisement entitled 'There's no place like Europe' appeared in several prominent American newspapers on Sunday, 7 December, with the Community emblem and the addresses of the Member States' tourist offices in the United States. This operation was a response to the dramatic drop in the number of American visitors to Europe this year because of terrorist attacks, the fall-out from the Chernobyl accident and the substantial fall in the value of the dollar. The Commission intends to continue its promotional effort with the aim of returning to normal in time for the 1987 high season.

Free movement of goods

Tax exemption for imports of personal property

2.1.162. On 18 December the Commission sent the Council a proposal¹ for amending

the Council Directive of 28 March 1983 on tax exemptions applicable to permanent imports from a Member State of the personal property of individuals.²

The purpose of the proposal is to streamline the procedures required by the Member States for granting the exemptions. It is one of the series of measures proposed to simplify administrative formalities at internal borders.

Health and social security

Action against cancer

2.1.163. In December the Commission adopted for transmittal to the Council a plan of action (1987-89) containing 75 proposals for cancer prevention, public guidance, the training of members of the health professions and research (→ point 1.4.1 *et seq.*).

Regional policy

Financial instruments

European Regional Development Fund

ERDF grants

Project financing

2.1.164. On 5 December the Commission approved the ninth allocation of grants for 1986 from the European Regional Development Fund: 324.75 million ECU for 1 201 investment projects costing a total of 973.80 million ECU. Each of the projects in question costs less than 5 million ECU. The assistance granted under this allocation is distributed among the Member States as shown in Table 12.

¹ OJ C 5, 9.1.1987; COM(86) 584 final.

² OJ L 105, 23.4.1983; Bull. EC 3-1983, point 2.1.55.

Table 12 — ERDF grants: ninth 1986 allocation

	Number of grant decisions	Number of investment projects	Investment assisted (million ECU) ¹	Assistance granted (million ECU) ¹
Belgium	13	20	20.12	6.01
Denmark	10	24	14.19	6.01
FR of Germany	100	112	163.00	26.17
Greece	22	70	75.40	34.29
Spain	11	23	27.21	10.77
France	40	91	110.38	14.26
Ireland	12	53	79.98	22.86
Italy	34	316	109.97	50.81
Luxembourg	—	—	—	—
Netherlands	1	1	2.23	0.67
Portugal	28	180	69.97	31.45
United Kingdom	89	311	301.33	121.45
Total	360	1 201	973.80	324.75

¹ Converted at December 1986 rates.

The total of 324.75 million ECU breaks down as follows:

(i) 32.37 million ECU to help finance 226 projects in industry, craft industries and the service sector;

(ii) 292.38 million ECU to help finance 975 infrastructure projects.

This ninth ERDF allocation for 1986 brings the number of projects financed by the Fund

since 1975 to 32 640 and the total assistance granted to 16 109.41 million ECU.

2.1.165. On 18 December the Commission approved the 10th allocation of grants for 1986 from the ERDF: 744.21 million ECU for 161 investment projects costing a total of 3 018.49 ECU. Each of the projects in question costs more than 5 million ECU. The assistance granted under this allocation is distributed among the Member States as shown in Table 13.

Table 13 — ERDF grants: tenth 1986 allocation

	Number of grant decisions	Number of investment projects	Investment assisted (million ECU) ¹	Assistance granted (million ECU) ¹
Belgium	1	1	8.10	0.85
Denmark	—	—	—	—
FR of Germany	16	16	392.02	21.65
Greece	2	2	80.78	40.39
Spain	8	8	180.53	59.78
France	45	47	551.77	174.26
Ireland	6	9	120.68	36.25
Italy	18	33	431.62	159.24
Luxembourg	—	—	—	—
Netherlands	3	3	87.32	19.93
Portugal	4	4	93.91	40.65
United Kingdom	33	38	1 071.76	191.21
Total	136	161	3 018.49	744.21

¹ Converted at December 1986 rates.

The total of 744.21 million ECU breaks down as follows:

- (i) 111.07 million ECU to help finance 69 projects in industry, craft industries and the service sector;
- (ii) 633.14 million ECU to help finance 92 infrastructure projects.

This 10th allocation for 1986 brings the number of projects financed by the Fund

since 1975 to 32 801 and the total assistance granted to 16 853.62 million ECU.

2.1.166. On 22 December the Commission approved the 11th allocation of grants for 1986 from the ERDF: 167.11 million ECU for 676 investment projects costing a total of 592.85 million ECU. Each of the projects in question costs less than 5 million ECU. The assistance granted under this allocation is distributed among the Member States as shown in Table 14.

Table 14 — ERDF grants: eleventh 1986 allocation

	Number of grant decisions	Number of investment projects	Investment assisted (million ECU) ¹	Assistance granted (million ECU) ¹
Belgium	7	14		6.59
Denmark	5	10	5.23	1.27
FR of Germany	64	65	122.24	6.48
Greece	27	77	73.91	32.11
Spain	—	—	—	—
France	60	89	103.47	35.47
Ireland	2	4	2.34	0.91
Italy	6	88	41.07	16.46
Luxembourg	—	—	—	—
Netherlands	—	—	—	—
Portugal	12	85	24.63	11.38
United Kingdom	47	244	194.09	56.44
Total	230	676	592.85	167.11

¹ Conversion at December 1986 rates.

The total of 167.11 million ECU breaks down as follows:

- (i) 40.18 million ECU to help finance 241 projects in industry, craft industries and the service sector;
- (ii) 126.93 million ECU to help finance 435 infrastructure projects.

This 11th allocation for 1986 brings the number of projects financed by the Fund since 1975 to 33 477 and the total assistance granted to 16 960.73 million ECU.

Programme financing

2.1.167. On 22 December the Commission approved the granting of ERDF aid totalling

456.8 million ECU to 26 multiannual programmes.

Of these, 12 were national programmes of Community interest (NPCI), including one based on Article 15 of the ERDF Regulation,¹ and 14 were special programmes still coming under the former 'non-quota' section of the Fund.²

¹ OJ L 169, 28.6.1984; Bull. EC 6-1985, point 1.3.1 *et seq.*

² OJ L 27, 31.1.1984; Bull. EC 1-1984, point 2.1.54.

Table 15 — *National programmes of Community interest*

	Title	ERDF assistance (million ECU)	Period
France	Decazeville	14.02	1986-88
France	Pôle des 3 frontières	50.49	1986-90
France	Ariège	22.05	1986-90
France	Tarn-Aveyron	25.56	1986-90
France	Lorraine	37.40	1986-90
Belgium	Pôle des 3 frontières	39.80	1986-90
Luxembourg	Pôle des 3 frontières	4.84	1986-90
Denmark	Nordtek	12.04	1986-90
Netherlands	Groningen	23.19	1986-88
United Kingdom	Mid Glamorgan	46.12	1986-89
United Kingdom	Tees Corridor	26.43	1984-87
United Kingdom	Northern Ireland ¹	4.64	1986-88

¹ NPCI pursuant to Article 15 of the ERDF Regulation.

Table 16 — *Special programmes*

	Title	ERDF assistance (million ECU)	Period
France	Textiles	5.3	1986-89
France	Textiles	14.0	1986-89
France	Textiles	14.6	1986-89
France	Textiles	4.7	1986-89
France	Iron and steel	7.0	1986-89
France	Iron and steel	6.8	1986-88
France	Iron and steel	32.2	1986-89
France	Shipbuilding	10.6	1986-89
France	Fisheries	6.0	1986-89
France	Fisheries	3.0	1986-89
United Kingdom	Northern Ireland	16.0	1986-90
United Kingdom	Iron and steel	12.0	1984-89
United Kingdom	Fisheries	15.0	1986-91
Ireland	Textiles	3.0	1986-89

Measures to exploit the internally generated potential of regions

2.1.168. In accordance with Article 15 of the Fund Regulation,¹ the Commission decided on 22 December to grant a total of 0.68 million ECU to two projects:

(i) Belgium: 0.060 million ECU for the setting up of a joint secretariat and services centre in West Flanders.

¹ OJ L 169, 28.6.1984; Bull. EC 6-1984, point 1.3.1 *et seq.*

(ii) Ireland: 0.62 million ECU for the Cork Business and Technology Centre.

Financing of studies

2.1.169. On 8 December the Commission decided, in accordance with Article 24 of the Fund Regulation, to grant 0.066 million ECU towards a study closely related to Fund operations in two Member States:

- (i) 0.033 million ECU for the part relating to the Federal Republic of Germany;
- (ii) 0.033 million ECU for the part relating to the Netherlands.

The study is concerned with the 'Preparation of a transfrontier development programme for the Ems-Dollart region (Germany/Netherlands)'

2.1.170. On 23 December the Commission decided, in accordance with Article 24 of the Fund Regulation, to grant 139 000 ECU towards two studies concerning France: 66 000 ECU (Nord-Cotentin) and 73 000 ECU (department of Meuse).

Business and information centres

2.1.171. On 23 December the Commission decided to make a financial contribution under Item 7731 of the 1986 budget to five conversion projects in areas with declining industries:

Vercelli (Italy)	150 000 ECU
Foggia (Italy)	150 000 ECU
Turnhout (Belgium)	98 000 ECU
Thiva (Greece)	150 000 ECU
Setúbal (Portugal)	147 000 ECU

The purpose is to finance measures intended to facilitate the promotion and development of a network of business and innovation centres run on a professional and, eventually, profitable basis. The proposed measures involve the preparation, starting up or completion of five centres providing a full range of support services for small and medium-sized firms or new innovative activities in the areas in question.

Coordination of structural instruments

Integrated Mediterranean programmes

Presentation of programmes by Member States

2.1.172. In accordance with Article 5(1) of the Regulation concerning the IMPs,¹ the Italian authorities presented all their draft IMPs to the Commission on 22 December.

The regions concerned are Umbria, Liguria, Calabria, Lazio, Sicily, Emilia-Romagna, Marche, Basilicata, Sardinia, Apulia, Molise, Campania, Abruzzi and Tuscany. In addition, there are three programmes to assist the fishing industry.

The Member States benefiting under the IMPs have presented a total of 31 draft programmes; the programme for Crete has already been adopted by the Commission.²

Preparatory measures

2.1.173. On 12 December the Commission adopted a decision instituting in the area of Kalamata in the Greek prefecture of Messinia³ a measure in preparation for the integrated Mediterranean programmes and granting assistance towards it.

Community assistance for the operations under the special measure amounts to 14 962 000 ECU, to be charged against Article 550 of the budget. The aim is to rehabilitate the stricken area of Kalamata so that it is able to benefit fully from the IMP for Western Greece and the Peloponnese, presented to the Commission by the Greek authorities on 23 July.

2.1.174. The Commission took 14 decisions implementing measures in preparation for the IMPs in the Greek areas of Prespes, Ioannina, Lesvos, Limnos, Evritania, Grevena, Gialova and Larisa.

¹ OJ L 197, 27.7.1985; Bull. EC 7/8-1985, point 2.1.106.

² OJ L 282, 3.10.1986; Bull. EC 9-1986, point 1.3.1.

³ Bull. EC 1-1986, point 2.1.85.

Integrated operations

2.1.175. The Economic and Social Committee delivered an own-initiative opinion in December on the criteria and efficiency of integrated operations (→ point 2.4.33).

Other integrated approaches

Preparatory measures

2.1.176. The Commission also decided to launch a number of studies in preparation for integrated development operations:

- (i) in the Setúbal peninsula (Portugal);
- (ii) in Belfast (Northern Ireland);
- (iii) in six regions in Spain: Asturias, Extremadura, Canary Islands, Andalusia, Castile-La Mancha and Castile-Leon.

Of the total cost of the studies, 75% will be met from the Community budget.

Environment and consumers

Environment

2.1.177. At its meeting in London on 5 and 6 December (→ point 1.1.9) the European Council noted that good progress had been made in protecting the environment through action within the Community and called for further progress. It emphasized that greater attention needed to be given to the effects on the Community of cross-border problems originating outside the Community's frontiers, and stressed the need to reach solutions both inside and outside the Community.

Fourth action programme

2.1.178. Further to the paper setting out new directions in environment policy,¹ on 16 December the Council formally adopted, on a proposal from the Commission,² the resolution on the strengthening of Community action in favour of the environ-

ment³ which it had approved in November.⁴

European Year of the Environment (EYE)

2.1.179. At the press conference for the launch of the European Year of the Environment (EYE) on 5 December, Mr Stanley Clinton Davis, the Commission Member with special responsibility for the environment, presented the awareness campaigns which are due to commence in March 1987. He also announced the main results of a survey carried out for the Commission on how Community citizens view their environment. Only one person in ten felt that protection of the environment was less important than economic development. However, attitudes to environmental problems vary significantly depending on the nationality, age and occupation of the respondents.

2.1.180. The steering committee assisting the Commission in preparations for EYE met in London on 8 December at the invitation of the UK authorities.⁵ Following an address by Mr William Waldegrave, UK Environment Minister, the committee adopted common rules for the European competitions and campaigns to be organized as part of EYE. It also adopted rules on use of the logo.

Action by the Community relating to the environment (ACE)

2.1.181. On 30 December the Commission sent to the Council a proposal for a Regulation⁶ extending the term and scope of the Regulation of 28 June 1984⁷ (due to expire on 3 July 1987) so as to enable financial support to be given to specified demon-

¹ Bull. EC 2-1986, point 2.1.94.

² Bull. EC 9-1986, point 1.1.1 *et seq.*

³ OJ C 3, 7.1.1987.

⁴ Bull. EC 11-1986, point 2.1.144.

⁵ Bull. EC 7/8-1986, point 2.1.134.

⁶ OJ C 18, 24.1.1987; COM(86) 729 final.

⁷ OJ L 176, 3.7.1984; Bull. EC 6-1984, point 2.1.72.

stration projects or projects providing an incentive of importance to the Community environment. As experience has shown that this action should, indeed must, be continued and extended, the Commission, while maintaining the structure of the 1984 Regulation in its new proposal, has made a number of changes to increase its flexibility and broaden its scope.

The proposal is supplemented by a report outlining the applications made under the existing Regulation during the first two years of its life.

2.1.182. Acting under the 1984 Regulation,¹ and Article 661 of the 1986 budget (Community operations concerning the environment), the Commission decided on 9 December to grant financial support to a further 13 projects providing an incentive; these will contribute to the maintenance or re-establishment of seriously threatened biotopes which are the habitat of endangered species and are of particular importance to the Community, pursuant to the Council Directive of 2 April 1979 on the conservation of wild birds.² The projects are located in eight Member States: Belgium, Denmark, France, Greece, Netherlands, Portugal, Spain and the United Kingdom.

State aids

2.1.183. The Commission memorandum on State aids in environmental matters, due to expire at the end of the year, was extended for the period 1987-92 by Commission decision on 19 December (→ point 2.1.111).

Prevention and reduction of pollution and nuisances

Protection of the aquatic environment

Protection of the Rhine

2.1.184. On 12 December the Commission asked the Council³ to adopt the proposal

made by the International Commission for the Protection of the Rhine to supplement Annex IV to the Convention on the Protection of the Rhine against Chemical Pollution⁴ in respect of mercury discharges by industries other than the chloralkali electrolysis industry.³ There should be no problem in incorporating the proposal in the Member States' legislation as its content is compatible with the Directive of 8 March 1984 on limit values and quality objectives for mercury discharges by sectors other than the chloralkali electrolysis industry.⁵

Together with the proposal, the International Commission made recommendations on the monitoring of mercury discharges, and these too were communicated to the Council for its information.

2.1.185. On 19 December the Commission took part in a Conference of Ministers in Rotterdam on pollution of the Rhine. Mr Stanley Clinton Davis, the Commission Member with special responsibility for the environment, restated the Commission's intentions following the Sandoz incident.⁶

These concern in particular the full and proper implementation of the 'Seveso' Directive⁷ and a possible tightening up of its provisions: the extension to internal waterways of the Community information system on marine pollution; and the setting up of a system of rapid and equitable compensation for environmental damage. He also said that the Commission was calling an international conference with neighbouring States in order to improve cooperation in respect of industrial hazards.

2.1.186. On 11 December Parliament debated and adopted five resolutions on accidents involving pollutant discharges to the Rhine by a number of major manufacturing plants (→ point 2.4.21).⁸

¹ OJ L 176, 3.7.1984; Bull. EC 6-1984, point 2.1.72.

² OJ L 103, 25.4.1979.

³ COM(86) 710 final.

⁴ OJ L 240, 19.9.1977.

⁵ OJ L 74, 17.3.1984; Bull. EC 3-1984, point 2.1.101.

⁶ Bull. EC 11-1986, points 2.1.146 and 2.1.147.

⁷ OJ L 230, 5.8.1982; Bull. EC 6-1982, point 2.1.92.

⁸ OJ C 7, 12.1.1987.

Protection of the Danube

2.1.187. On 22 December, the Council authorized the signature by the Community of the Convention on Cooperation on the Management of Water Resources in the Danube Basin, which relates to protection against pollution as well as water resource management. The Convention provides for a standing committee of 15 members which may address recommendations to the contracting parties.

Paris Convention

2.1.188. On 22 December the Council adopted a Decision,¹ on the Commission's proposal,² on the conclusion on behalf of the Community of the Protocol amending the Paris Convention for the Prevention of Marine Pollution from Land-based Sources,³ in order to extend its scope to include marine pollution from atmospheric emissions.

The Protocol was adopted in Paris on 26 March.⁴

Pollution by oil and other substances

2.1.189. The Commission dispatched experts to Cork to lend any assistance necessary to the Irish authorities directing the clean-up operation following two serious incidents in Irish waters, involving the ore carrier *Kowloon Bridge* and the oil tanker *Capo Emma*, which had seriously polluted the Irish coast. Parliament adopted resolutions on these incidents on 11 December (→ point 2.4.21).⁵

Measures to combat air pollution*Disposal of waste oils*

2.1.190. On 22 December the Council formally adopted an amendment to the 1975 Directive on the disposal of waste oils,⁶ on which it had reached agreement in November.⁷

Noise abatement*Household appliances*

2.1.191. On 1 December the Council formally adopted⁸ the Directive on airborne noise emitted by household appliances.⁹ This Directive concerns consumer information on the noise emitted by such appliances as dishwashers and vacuum cleaners — important products in terms of trade volume. It lays down general principles and contains harmonized provisions on the procedure for determining levels of airborne noise. It also defines the statistical method to be used to verify the accuracy of the stated noise level.

Member States will be free to decide whether to make the 'noise' labelling of appliances compulsory. If they do, they must apply the harmonized provisions of the Directive in respect of marketing, measuring methods and monitoring by means of statistical samples. This is designed to prevent different methods resulting in technical barriers to trade, since the Directive provides that no Member State may refuse, prohibit or restrict the marketing of household appliances on grounds relating to information on the airborne noise emitted by such appliances where this information is given in accordance with the requirements of the Directive.

Motor cycle noise

2.1.192. On 18 December the Council formally adopted¹⁰ a Directive relating to the permissible sound level and exhaust system of motor cycles.¹¹

¹ OJ L 24, 27.1.1987.

² Bull. EC 9-1986, point 2.1.91.

³ OJ L 194, 25.7.1975.

⁴ Bull. EC 3-1986, point 2.1.102.

⁵ OJ C 7, 12.1.1987.

⁶ OJ L 194, 25.7.1975.

⁷ Bull. EC 11-1986, point 2.1.152.

⁸ OJ L 344, 6.12.1986, Bull. EC 10-1986, point 2.1.121.

⁹ OJ C 181, 19.7.1982; Bull. EC 1-1982, point 2.1.39; OJ C 334, 10.12.1983; Bull. EC 11-1983, point 2.1.106.

¹⁰ OJ L 24, 27.1.1987.

¹¹ OJ C 263, 2.10.1984; Bull. EC 9-1984, point 2.1.12; OJ C 139, 7.6.1985; Bull. EC 5-1985, point 2.1.72.

The Council had reached agreement in November on all the issues of principle raised by this Directive.¹

Earth-moving machines

2.1.193. On 22 December the Council adopted a Directive on the limitation of noise emitted by hydraulic excavators, rope-operated excavators, dozers, loaders and excavator-loaders² proposed by the Commission in 1980.³

Lawnmowers

2.1.194. On 22 December the Commission sent to the Council a proposal⁴ to amend the Directive of 17 September 1984,⁵ with the object of stipulating the permissible sound pressure level of lawnmowers at the operator's position and adding a technical annex to define the method for measuring the sound pressure level at the operator's position for lawnmowers with a cutting width exceeding 120 cm. Knowledge of the permissible sound pressure levels will permit more effective protection of lawnmower operators.

Chemical products

Dangerous substances

2.1.195. On 18 December the Council formally adopted, on a proposal from the Commission,⁶ a Directive on the harmonization of laws, regulations and administrative provisions relating to the application of the principles of good laboratory practice and the verification of their application to tests on chemical substances,⁷ notably those specified in the Directive of September 1979⁸ amending for the sixth time the Directive of 27 June 1967.⁹

This Directive implements the agreements reached on this matter in the OECD.

2.1.196. In the same context, the Commission sent the Council on 18 December a proposal for a Directive on the inspection and verification of the organizational pro-

cesses and conditions under which laboratory studies are planned, performed, recorded and reported for the non-clinical testing of chemicals (good laboratory practice).¹⁰

These two texts are complementary and form part of a complete code of rules on GLP. They constitute a solid basis for negotiation with non-Community countries on the acceptance in these countries of the Community position as a basis for evaluation and for other applications concerning the protection of man and the environment.

Chlorofluorocarbons

2.1.197. Delegates from 40 countries attended the first meeting — held in Geneva from 1 to 5 December under the United Nations Environment Programme — to prepare the Protocol to the Vienna Convention for the Protection of the Ozone Layer. On the basis of the mandate given by the Council on 24 November,¹¹ the Commission represented the Community at the meeting and presented on its behalf a provisional position, prepared jointly with the representatives of the Member States, designed to freeze the production of chlorofluorocarbons at current levels and setting out mechanisms to facilitate the regular review of inspection measures that may be considered necessary in future.

The various opinions expressed will be drawn together to form the basis for discussion at the next meeting.

¹ Bull. EC 11-1986, point 2.1.158.

² OJ L 384, 31.12.1986.

³ OJ C 356, 31.12.1980; Bull. EC 10-1980, point 2.1.50; OJ C 302, 21.11.1981; Bull. EC 9-1981, point 2.1.158.

⁴ OJ C 20, 27.1.1987; COM(86) 682 final.

⁵ OJ L 300, 19.11.1984; Bull. EC 9-1984, point 2.1.70.

⁶ OJ C 219, 29.8.1985; Bull. EC 7/8-1985, point 2.1.125.

⁷ OJ L 15, 17.1.1987.

⁸ OJ L 259, 15.10.1979.

⁹ OJ 196, 16.8.1967.

¹⁰ OJ C 13, 17.1.1987; COM(86) 698 final.

¹¹ Bull. EC 11-1986, point 2.1.159.

Major-accident hazards

2.1.198. The Commission organized a training seminar in Paris from 10 to 12 December for inspectors of industrial installations from the Member States. Many aspects of the implementation of the Directive of 24 June 1982 on the major-accident hazards of certain industrial activities¹ were examined. Participants were informed in particular of how the Directive was being applied in practice in France. They also had the opportunity to visit such an installation, namely the Société Européenne de Propulsion's test rigs at Vernon for the Ariane rocket engines, in order to obtain a picture of the safety measures taken pursuant to this Directive.¹

2.1.199. The committee of competent authorities responsible for implementing the 1982 Directive¹ held a special meeting in Brussels on 18 December to discuss the consequences of the Sandoz accident (Rhine pollution)² for the Community and to analyse whether the Directive was adequate to ensure the prevention of such accidents. The committee concluded that it was necessary to re-examine in depth the issue of separate storage.

Waste disposal

Transfrontier shipment of hazardous waste

2.1.200. On 23 December the Commission again adapted to technical progress the Council Directive of 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste.³ The new text amends the Commission Directive of July 1985⁴ by inserting special provisions on the export of such wastes from the Community.

Protection and use of resources

Fauna and flora

Berne Convention

2.1.201. The Standing Committee set up under the Berne Convention on the Conser-

vation of European Wildlife and Natural Habitats⁵ met in Strasbourg from 2 to 4 December. The Commission represented the Community, which is a contracting party. The decisions taken included the adoption of two recommendations concerning the prosecution of persons illegally trapping and killing protected birds and the protection of Mediterranean monk seals respectively. A decision was also approved on action to protect certain species of marine turtles. In addition, the Committee began work on amending the Convention appendices with a view to including certain species of freshwater fish and invertebrates from 1987.

Washington Convention (Cites)

2.1.202. In the context of the Council Regulation of 3 December 1982,⁶ Parliament gave a favourable opinion⁷ on 11 December on the Commission's proposal to the Council of 26 March 1986 to allow imports into and marketing in the Community of reared birdwing butterflies⁸ (→ point 2.4.21).

International cooperation

2.1.203. On 12 December a meeting of environmental experts from the Commission and EFTA countries⁹ was held in Brussels on the basis of a mandate given by senior officials of the two organizations, with the aim of improving cooperation between the Community and EFTA on environmental protection. Closer cooperation in general between the Community and the EFTA countries was the subject of a Joint Declaration by Ministers from the

¹ OJ L 230, 5.8.1982; Bull. EC 6-1982, point 2.1.92.

² Bull. EC 11-1986, points 2.1.146 and 2.1.147.

³ OJ L 326, 13.12.1984; Bull. EC 12-1984, point 2.1.132.

⁴ OJ L 272, 12.10.1985; Bull. EC 7/8-1985, point 2.1.129.

⁵ OJ L 38, 10.2.1982.

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

⁷ OJ C 7, 12.1.1987.

⁸ OJ C 97, 24.4.1986; Bull. EC 3-1986, point 2.1.111.

⁹ Norway (currently chairing the EFTA Council), Switzerland, Austria, Sweden, Finland (Iceland and Liechtenstein were not present).

two organizations issued in Luxembourg in April 1984.¹

The experts agreed that it would be desirable to develop their cooperation on environmental matters, with regard both to cooperation procedures and to a number of highly crucial specific environmental problems calling for a united approach. Problems such as air pollution (acid rain, motor vehicles), hazardous chemicals and industrial accidents are examples of the many areas in which closer cooperation would be fruitful.

Consumers

Integration of consumer policy into other common policies

2.1.204. On 15 December the Council, on a proposal by the Commission,² formally adopted a resolution which it had approved in October calling for consumer interests to be taken more fully into account in other common policies.³

Protection of economic and legal interests

Consumer credit

2.1.205. On 22 December the Council formally adopted a Directive proposed by the Commission⁴ which is designed to improve consumer protection in the market for credit. The Council had reached agreement on the instrument on 1 December.

The main provisions of the Directive are as follows:

- (i) the obligation to disclose all relevant information to the consumer, in particular as regards the true cost of the credit; for this purpose, the Directive provides for the introduction of the annual percentage rate of charge (APR) in all Member States;
- (ii) provisions relating to the form and terms of credit contracts and to advertisements and offers of credit;

(iii) rules relating to early termination of contracts and repossession of goods;

(iv) provisions in respect of means of payment and guarantees;

(v) the concept of joint liability of the creditor and the supplier of goods/services acquired under a credit agreement under certain defined circumstances;

(vi) provisions relating to supervision and control of persons granting credit.

The Directive in general lays down minimum provisions only, Member States being free to introduce more stringent measures for the protection of the consumer nationally if they so wish.

European Consumer Law Journal

2.1.206. At a press conference held on 12 December the first issue of the *European Consumer Law Journal* was presented to the public. Published with the Commission's technical and financial assistance, this new publication will be reviewing the various aspects of consumer law at national and Community levels, including developments in case law.

Consumer information, education and representation

2.1.207. At a plenary meeting in Brussels on 8 and 9 December the Consumers Consultative Committee expressed its opinion on broadcasting and on the harmonization of laws with regard to foodstuffs. The Committee also adopted two preliminary opinions relating to electronic transfers of funds and to the integration of consumer policy in other Community policies.

¹ Bull. EC 4-1986, point 1.2.1 *et seq.*

² Bull. EC 10-1986, point 2.1.126.

³ OJ C 3, 7.1.1987.

⁴ OJ C 80, 27.3.1979; Bull. EC 2-1979, point 2.1.51; OJ C 183, 10.7.1984; Bull. EC 6-1984, point 2.1.86.

Agriculture

Council

2.1.208. At the Council meeting on agriculture which took place from 8 to 16 December the President, with the active support of the Commission, arrived at political agreement on the main Commission proposals to reform the market organizations for milk and beef/veal (→ points 2.1.211 to 2.1.214 and 2.1.219 to 2.1.221).

The Council also laid down policy guidelines aimed at implementing, by the end of February 1987, a socio-structural policy better adapted to current rural society (→ point 2.1.244).

The Council also reached agreement on the proposals from the Commission in the agrimonetary field (→ points 2.1.209 and 2.1.210), on the granting of aid to sheepmeat producers in France (→ point 2.1.226), on the continuance of inward processing arrangements for whey in Germany (→ point 2.1.216), on the amendment, consequent upon accession, of the Community system for the protection of plants and plant products against harmful organisms (→ point 2.1.248) and on the Decision to introduce a supplementary Community measure for the eradication of brucellosis, tuberculosis and leukosis in cattle (→ point 2.1.246).

Economic aspects of the common agricultural policy

Agrimonetary measures

2.1.209. On 22 December, on a proposal from the Commission,¹ the Council adopted a Regulation² adjusting the conversion rates for the pound sterling, the French franc, the Portuguese escudo, the Greek drachma and the Spanish peseta in order to reduce the monetary gap:

(i) in the United Kingdom by 6 points for beef/veal and 3.2 points for sheepmeat and goatmeat (effective 5 January 1987);

(ii) in France by 4.8 points for beef/veal and 3.185 points for sheepmeat and goatmeat (effective 5 January 1987);

(iii) in Greece by 14.5 points for sheepmeat and goatmeat (effective 29 December 1986);

(iv) in Spain by 3.2 points for sheepmeat and goatmeat (effective 5 January 1987);

(v) in Portugal by 6 points for sheepmeat and goatmeat (effective 5 January 1987) and for the conversion of the amounts fixed under the socio-structural policy (effective 29 December 1986).

2.1.210. Following this adjustment in the conversion rates, on 23 December the Commission adopted transitional measures for the United Kingdom and the other countries.

Market organizations

Milk and milk products

Adjustment of the market organization

2.1.211. At its 8 to 16 December meeting the Council adopted decisions adjusting the system of milk quotas in order to reduce milk production by 9.5% over two years and introducing adjustments in the intervention arrangements in order to reduce the quantities of milk products eligible for intervention.³

2.1.212. As regards the milk quota system, the Council had decided in April, at the time the agricultural prices for 1986/87 were adopted,⁴ to reduce the guaranteed overall quantities by 2% from 1 April 1987 and by a further 1% from 1 April 1988. To achieve these objectives, a Community allowance for the definitive discontinuation of milk

¹ COM(86) 681 final; COM(86) 739 final.

² OJ L 367, 27.12.1986.

³ OJ C 254, 11.10.1986; Bull. EC 9-1986, point 2.1.103 *et seq.*; Bull. EC 11-1986, point 2.1.170.

⁴ OJ L 119, 8.5.1986; Bull. EC 4-1986, point 2.1.108.

production (equivalent to arrangements for 'buying up' milk quotas) had been introduced from 1 May 1986. These arrangements provided for the allocation of an allowance, on application, to any producer who fulfilled certain conditions, against an undertaking on his part to discontinue all milk production definitively. The maximum amount of the allowance to be met from the Community budget had been set at 4 ECU per year per 100 kg of milk or milk equivalent for seven years.

Member States could contribute to the financing of the measure by increasing the level of the allowance. They could also continue to apply their national arrangements for buying up quotas, instituted in most of them after quotas were introduced.

On 16 December the Council confirmed the 2% quota reduction decided on in April,¹ to be achieved, as agreed, by arrangements for the voluntary cessation of milk production, but the allowance granted to producers discontinuing production is to be increased from 4 to 6 ECU per year per 100 kg.² As laid down in the April decision, if the objective of buying up 2% of the guaranteed overall quantities can be achieved by granting an allowance lower than the maximum level indicated above, remaining EAGGF funds may be used by the Member States for restructuring.

A further reduction in production will be achieved from 1 April 1987 by a 4% temporary linear suspension of quotas (and not by discontinuing them definitively). The EAGGF will grant compensation of 10 ECU for a reduction of 100 kg per year in production for two years.

Member States which so desire may add to this amount 2.5 ECU per 100 kg to be met from their national budgets, but only in respect of 1987/88. It has also been decided to apply a further reduction in production of 2.5% for 1988/89, the last year during which the present five-year milk quota arrangements will be applicable. This will be achieved by:

(i) the further 1% reduction in the quota decided on in April;³

(ii) a further 1.5% temporary suspension of quota like the 4% suspension to be introduced from 1987/88; it will be offset either by an allowance of 10 ECU per 100 kg for two years or by an appropriate reduction in the co-responsibility levy.

To take account of the special problems of certain Member States in implementing these measures, while abiding by the quantitative targets indicated above, special provisions have been made to ensure greater flexibility in the implementation of the decisions.

In view of the very recent introduction of quota restrictions for the first time in Spain, a system of partial and voluntary buying up or suspension of quotas will be established, with compensation as described above.

In those Member States, such as Italy, which, pursuant to Article 4(2) of the Regulation of 31 March 1984,³ now or subsequently apply a programme of voluntary cessation of milk production, such a programme will be carried out with a view to achieving the above objectives.

At the end of the 1987/88 and 1988/89 milk years, the Commission will assess the results achieved in the countries in question and will, if necessary, make appropriate proposals to the Council.

The derogation permitting Member States to allocate unused reference quantities to producers or purchasers in the same region and, where appropriate, in other regions, which is already in force for the first three annual periods of application of the quota scheme, is extended until the expiry of the current quota arrangements (1988/89). Formula B of the quota arrangements, which provides for the application at purchaser level (dairies) of levies on the quantities exceeding the reference quantity, is also maintained. Furthermore, in order to make the additional levy arrangements more equi-

¹ OJ L 119, 8.5.1986; Bull. EC 4-1986, point 2.1.108.

² The reimbursement of the additional 2 ECU by the EAGGF will be met from the 1988 budget.

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

table and more dissuasive, the rate of the additional levy is raised to 100% of the target price for milk whatever the system for allocating quotas used by the Member State.

After the unused quotas are reallocated, any overrun will attract a penalty at the full rate of the Community levy, imposed directly on the producer responsible. It is estimated that this provision will have an effect equivalent to a 1% reduction in production.

2.1.213. As regards the adjustment of the intervention system, the buying-in of skimmed-milk powder is suspended from 1 September to 28 February (six months) on the understanding that the Commission will take adequate measures to maintain the stability of the market in skimmed-milk powder during this period.

The Council also noted that the Commission is maintaining its proposal enabling it, in exceptional circumstances, temporarily to suspend intervention for both butter and skimmed-milk powder at any time during the year.¹

On the basis of criteria to be adopted by the Council before the end of February 1987, the Commission may, during the period of application of the current quota arrangements, modify the existing permanent intervention arrangements for butter and for skimmed-milk powder during the period 1 March to 31 August by the introduction of alternative measures which would have the effect of reducing the volume of intervention purchases while at the same time safeguarding market stability. These alternative measures are to apply on a Community basis and must not lead to discrimination between Member States.

If application of the new milk arrangements disturbs the balance of supplies between dairies (undersupplying dairies which are major market suppliers, oversupplying dairies which have excessive recourse to intervention), the Commission will use the Management Committee procedure to introduce arrangements to discourage excessive recourse to intervention.

The Council, conscious of the fact that Ireland depends more than any other Member State upon the dairy sector, asked the Commission to have special regard to the influence of intervention purchasing of butter on market stability and on returns to milk producers in Ireland and noted the Commission's intention to take full account of this in any decision it takes on the subject.

The Council also noted the Commission's intention to have due regard for the special problems arising in the liquid milk sector in Greece.

Lastly, the Member States are authorized to take the necessary steps to ensure that decreases in quotas through a buying-up scheme are, as far as possible, evenly divided between regions and collection areas.

The Council noted the Commission's intention to remove the extra delays on takeover for intervention as soon as the general rules referred to above come into effect.

2.1.214. The other points of the agreement reached in the Council on milk are summarized below.

The Community has taken steps to ensure that full credit is taken in the forthcoming international trade negotiations for the quota reduction already agreed on and that full advantage is taken of the temporary suspension of quotas in negotiations aimed at ensuring that other exporters take equivalent action to achieve the stability of the world market in dairy products.

The Community will ensure a coherent approach as between its dairy policy and policies in related sectors, and as between its domestic market measures and its policies on the international market.

The Council noted with approval the firm intention of the Commission to pursue a vigorous destocking programme, which provides the context within which the Council decisions have to be viewed. An

¹ OJ C 254, 11.10.1986; Bull. EC 9-1986, point 2.1.108.

appropriate financial proposal will be presented to the Council for approval.

The Commission has undertaken to study the question of the protein content of milk and milk products, particularly drinking milk. Following that study, if appropriate, a proposal will be made to the Council to harmonize the minimum protein content of such products.

2.1.215. The Council also adopted, on a proposal from the Commission,¹ a Regulation to improve the scheme for the sale of butter at reduced prices to persons receiving social assistance ('social butter' measure).²

2.1.216. Lastly, on 22 December the Council adopted a Regulation³ extending until 31 March 1987 the exclusion of concentrated or powdered whey from the prohibition on inward processing traffic for milk products,⁴ in order to enable the requisite adjustments to be introduced to stop certain trade flows with Austria and to use raw material of Community origin.

2.1.217. On 2 December the Commission adopted a Regulation implementing a pilot project on integrated monitoring systems for milk and milk products to encourage sales.⁵ This project, financed from the co-responsibility levy funds and carried out on the responsibility of the competent departments in Denmark, aims to improve the quality of milk and milk products and, to that end, provides for:

- (i) checks on the composition of raw milk and its bacteriological and hygienic qualities;
- (ii) checks on milk processing;
- (iii) checks on the composition, quality and suitability for storage of manufactured products;
- (iv) checks on marketing.

Accession-related measures

2.1.218. Pursuant to the Act of Accession of Spain and Portugal, the Commission determined, for 1987:

(i) the indicative ceilings for milk products imported into Spain from the Community of Ten;⁶

(ii) the quota for cheese imports into Portugal from Spain;⁶

(iii) the quota for cheese imports into Portugal from non-member countries.⁶

Beef/veal

Adjustment of the market organization

2.1.219. The decisions adopted by the Council on a proposal from the Commission⁷ concern implementation of stricter discipline in intervention operations in order to ensure better control of the market in beef/veal, and the introduction of a temporary compensatory premium for all beef/veal producers who do not receive the calf premium or the variable premium. These decisions cover the period until 31 December 1988 (transitional period).

Until then the Commission will pursue its efforts to have the Council adopt permanent changes to the market organization for beef/veal.⁸

2.1.220. The main consequence of the decisions taken regarding intervention is that there will no longer be unconditional permanent intervention in the beef/veal sector. Intervention will, however, be opened by the Commission under certain conditions but will be limited to certain eligible qualities, categories and cuts. More precisely, from 6 April 1987 to 31 December 1988 the criteria which will lead the Commission to open intervention when they are both met are as follows:

¹ Bull. EC 5-1986, point 2.1.127.

² OJ L 314, 10.11.1982; Bull. EC 11-1982, point 2.1.82.

³ OJ L 371, 31.12.1986.

⁴ OJ L 202, 25.7.1986; Bull. EC 7/8-1986, point 2.1.143.

⁵ OJ L 340, 3.12.1986.

⁶ OJ L 365, 24.12.1986.

⁷ Bull. EC 12-1985, point 2.1.154 *et seq.*

⁸ OJ C 85, 14.4.1986; Bull. EC 2-1986, point 1.3.5.

(i) the average market price in the Community for the quality or group of qualities concerned must be less than 91% of the corresponding intervention price; and

(ii) the average market price at national (or, where appropriate, regional) level for the quality or group of qualities concerned must be less than 87% of the corresponding intervention price.

For each quality or group of qualities which is to be bought in, the buying-in price will be the weighted average of the market prices in the Member States (or, as the case may be, the regions) where buying-in is carried out, plus 2.5% of the intervention price; however, the buying-in price may not be less than the highest average market price in the Member States or the regions where intervention purchases are made.

In the case of Spain, steps will be taken to ensure that the common intervention system and the levels of the common prices are also applicable.

In addition to the abovementioned provisions, the Commission may, where necessary, adopt measures through the Management Committee procedure in order to stabilize markets in the Community (or, as the case may be, the regions). As well as aid for private storage, these measures may include provisions for intervention buying in Member States or regions on terms to be decided through the Management Committee procedure.

The Council noted the Commission's intention of making proposals to the Management Committee to harmonize the intervention prices for steers and young bulls on the basis of the classification grid.

2.1.221. The existing premiums (variable slaughter premium, calf premium, suckler cow premium) are maintained during the transitional period. Furthermore, the EAGGF contribution to the financing of the suckler cow premium will rise from 15 to 25 ECU. Community funding of an additional amount in Greece will be on the same basis as in Ireland and Northern Ireland.

In addition, a special temporary premium of 25 ECU for male animals raised to maturity, payable once in the life of the animal or at slaughter, may be paid to producers up to a limit of 50 head per farm. This premium is not payable in Member States where the calf premium or the variable premium is payable, except Ireland, where an amount of 18 ECU may be paid on the same terms. From 1 January to 5 April 1987, appropriate transitional measures will be adopted to ensure continuity of the calf premium and variable premium arrangements.

GATT quotas

2.1.222. In December the Council agreed, pending delivery of Parliament's opinion a Regulation increasing the Community tariff quota opened by the Regulation of 26 May 1986¹ from 38 000 to 42 600 head of heifers and cows, other than those intended for slaughter, of certain mountain breeds.

This represents the application of an agreement concluded with Austria.

2.1.223. In December the Council also adopted, with the endorsement of Parliament,² Regulations³ providing for:

(i) the opening of Community tariff quotas for 1987 of 29 800 tonnes of high-quality fresh, chilled or frozen beef (Hilton beef) falling within CCT subheadings 02.01 A II a) and 02.01 A II b) and of 2 250 tonnes of frozen buffalo meat falling within CCT subheading 02.01 A II b) 4 bb) 33, at a rate of duty of 20%;

(ii) the opening, allocating and administration of a Community tariff quota for 1987 of 50 000 tonnes of frozen beef/veal falling within CCT subheading 02.01 A II b) at a rate of duty of 20%.

On 23 December the Commission laid down the detailed rules for applying the arrangements provided for by those Regulations.⁴

¹ OJ L 150, 4.6.1986; Bull. EC 5-1986, point 2.1.131.

² OJ C 7, 12.1.1987.

³ OJ L 365, 24.12.1986.

⁴ OJ L 370, 30.12.1986.

2.1.224. The Council has instructed its subordinate bodies to continue examination of the file relating to the estimates for young male bovine animals and meat intended for the processing industry.

2.1.225. On 23 December the Commission also adopted a Regulation fixing for 1987 the indicative ceiling and the 'guide' quantities applying to imports into Spain from the Community of Ten under the supplementary mechanism applicable to trade in beef/veal.¹

Sheepmeat

2.1.226. On 5 December the Commission raised from 50% to 75%² the advances to be paid in respect of 1986 to producers of sheepmeat and goatmeat located in less-favoured areas within the meaning of the Directive of 28 April 1975.³

2.1.227. The Council also authorized France to pay an advance from national funds of the same amount for other areas.⁴

Pigmeat

Accession-related measures

2.1.228. On 22 December the Council adopted, on a proposal from the Commission,⁵ a Regulation fixing, for 1987, the quotas applicable for imports into Portugal of certain products of the pigmeat sector from the Community of Ten.⁶ Pursuant to Article 269 of the Act of Accession, during the first stage Portugal may maintain quantitative restrictions on imports of such products. The quotas were calculated on the basis of the initial 1986 quotas plus 10%.

Eggs and poultrymeat

Accession-related measures

2.1.229. On 18 December the Commission transmitted to the Council a proposal for a Regulation fixing, for 1987, the quotas for

imports into Portugal of certain products of the egg and poultrymeat sectors from the Community of Ten.⁷

During the first stage the Act of Accession permits Portugal to maintain quantitative restrictions on imports of such products. The quotas were calculated on the basis of the initial 1986 quotas plus 10%.

Wine

2.1.230. On 8 December the Council decided to consider Italian aids to wine compatible with the common market until 31 December 1986 following the serious crisis affecting the industry as a result of the 'methanol-adulterated wine' affair.⁸ The aid is for the distillation of certain table wines and for the private storage of certain quality wines produced in specified regions.

2.1.231. On 4 December the Commission authorized the United Kingdom to permit an additional increase, by the addition of sucrose or concentrated grape must, in the alcoholic strength of certain wines and certain products intended for winemaking on account of the poor weather conditions in 1986.⁹

2.1.232. On 11 December it supplemented the table of equivalence which enables the potential alcoholic strength of grape musts to be established in order to take into account the most concentrated grape musts.¹⁰

2.1.233. On 12 December it adjusted the minimum price for the sale by invitation to tender of vinous alcohol intended for the

¹ OJ C 7, 12.1.1987.

² OJ L 344, 6.12.1986.

³ OJ L 128, 19.5.1975.

⁴ OJ L 382, 31.12.1986.

⁵ COM(86) 738 final.

⁶ OJ L 371, 31.12.1986.

⁷ COM(86) 751 final.

⁸ OJ L 352, 13.12.1986.

⁹ OJ L 342, 5.12.1986.

¹⁰ OJ L 350, 12.12.1986.

fuel sector.¹ That price is reduced to 8 ECU/hl of alcohol at 100% vol.

2.1.234. On the same date the Commission issued a further invitation to tender for the sale of vinous alcohol held by the French intervention agency and intended for the thermal power station sector.

2.1.235. On 22 December the Commission introduced several amendments² to the detailed rules³ relating to the private storage of table wine to permit better control of wine stored and to take account of the new definitions of types of table wine adopted following the accession of Spain and Portugal.

2.1.236. On the same date the Commission drew up the forward estimate for the wine sector for the 1986/87 wine year.⁴ This showed that availabilities exceeded normal uses for the year by more than four months and that the conditions laid down by the rules for the opening of the possibility of concluding long-term storage contracts for table wine, grape must, concentrated grape must and rectified concentrated grape must were fulfilled. The Commission immediately activated the measure.²

2.1.237. On 11 December the Commission sent to the Council a proposal for a Regulation⁵ extending until the end of 1987 the tax arrangements applying to some Luxembourg wines.⁶

2.1.238. On 10 December it also transmitted to the Council a proposal for a Regulation⁷ to extend until the end of 1987, in the absence of a common organization of the market in alcohol, the existing provisions concerning the addition of alcohol to wine sector products.⁸

2.1.239. Lastly, on 5 December, it sent the Council a proposal for a Regulation confirming until the end of the 1989/90 wine year Spanish legislation in force prior to accession which provides for a natural alcoholic strength by volume of 9% vol for almost all the wine-growing territory, by including the main part of the Spanish wine-

growing territory in wine-growing zone C III (b).⁹ A new demarcation of wine-growing zones, taking into account in particular climatic features, is planned for the end of 1989/90 at the latest, on the basis of a report from the Commission.

2.1.240. At its December session the Economic and Social Committee adopted an opinion on the proposal for an amendment¹⁰ to the basic wine Regulation¹¹ (→ point 2.4.38).

Market situation¹²

2.1.241. The Commission has drawn up the forward estimate for the wine sector for the 1986/87 wine year.¹³ The figures show a total production of table wine of some 132 million hl and stocks of approximately 60 million hl. As human consumption is still declining considerably, it may be estimated that such use, processing and the export/import balance will give a consumption figure of much less than 100 million hl and that more than 32 million hl will have to be withdrawn from the market to reach some balance. However, as a fall in consumption also has an effect on the level of stocks necessary, which falls by a corresponding amount, with monthly consumption at approximately 8 million hl it may be expected that the wine year will end with stocks exceeding 40 million hl. In fact there is a surplus of 40 million hl. In view of the special price support guarantee measures for long-term storage contract holders and the Italian national measures adopted to

¹ OJ L 352, 13.12.1986.

² OJ L 365, 24.12.1986.

³ OJ L 116, 30.4.1983; Bull. EC 4-1983, point 2.1.106.

⁴ OJ C 336, 31.12.1986.

⁵ COM(86) 668 final.

⁶ OJ L 328, 20.12.1975; OJ L 348, 24.12.1985.

⁷ COM(86) 709 final.

⁸ OJ L 54, 5.3.1978; OJ L 343, 20.12.1985; Bull. EC 12-1985, point 2.1.168.

⁹ COM(86) 484 final.

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

¹¹ OJ L 54, 5.3.1979; OJ L 88, 28.3.1985; Bull. EC 2-1985, point 1.1.2.

¹² Bull. EC 6-1986, point 2.1.186.

¹³ OJ C 336, 31.12.1986.

remedy the crisis situation created by the methanol scandal, compulsory distillation of table wine, backed up by preventive and support distillation, must be expected to involve an extremely high quantity, to eliminate not only production surpluses for the year but also stocks.

Furthermore, production of quality wines produced in specified regions (quality wines psr) is very high in France, amounting to some 46 million hl, and it cannot be ruled out that there may be some pressure from the quality wines psr at the bottom of the range on the table wine market. Spain has quality wine psr stocks of 14.5 million hl, representing production from almost two whole years, which brings wine availabilities up to around three years' production.

This situation, which is different from that generally obtaining in the Community, is likely to be detrimental to the market in table wine as a whole. The final figures will not be known until the end of February, and only then will the exact quantity for compulsory distillation and the way it is to be apportioned be revealed, but it is already clear that the quantities involved will be substantial.

Sugar

2.1.242. On 16 December the Commission once more amended¹ its Regulation of 24 July 1978 laying down detailed rules of application in respect of the production refund for sugar used in the chemical industry.²

The basic products of the sugar sector are completely replaceable for most technical uses by the basic products of the starch sector (glucose). This being so, the detailed rules of application in the sugar sector and in particular those relating to securities should be similar to those applicable in the cereals sector, so as to avoid any unwarranted difference in treatment. The wording of the provisions concerning the release of the security in the cereals sector is not, however, similar in all respects to the wording in the case of sugar and allows for better

proportionality. Consequently, the aim of the Commission Regulation is to take the wording regarding the release of the security used in the cereals sector and use it, *mutatis mutandis*, in the sugar sector also.

2.1.243. On 17 December the Commission amended³ its Regulation of 29 May 1986 laying down transitional measures on the transfer of quotas in the sugar sector.⁴

The aim is to enable Spain to avail itself for 1986/87 of the possibility provided in Article 25 of the basic sugar Regulation,⁵ which enables a Member State to reduce the A and B quotas of an undertaking by up to 10% in order to allocate them to other undertakings in the same Member State. Such an adjustment must be decided on for the marketing year in question before 1 July 1986. In southern Spain sugar production from sugar cane will not commence until April 1987. Spain cannot in full knowledge of the facts take a decision nine months before the harvest. Provision was therefore made as a transitional measure for the date for the adjustment of the quota to be postponed in respect of the sugar produced from cane.

Structures

Socio-structural measures

2.1.244. The Council undertook to adopt before 28 February 1987 a package of socio-structural measures,⁶ the objectives of which will be:

(i) to contribute towards restoring the balance between production and market capacity;

¹ OJ L 356, 17.12.1986. Previous amendment: OJ L 179, 3.7.1986; Bull. EC 6-1986, point 2.1.187.

² OJ L 201, 25.7.1978. See also OJ L 94, 9.4.1986; Bull. EC 3-1986, point 2.1.122.

³ OJ L 357, 18.12.1986.

⁴ OJ L 145, 30.5.1986; Bull. EC 5-1986, point 2.1.126.

⁵ OJ L 177, 1.7.1981; OJ L 539, 2.12.1986.

⁶ OJ C 273, 29.10.1986; Bull. EC 4-1986, point 1.3.1 *et seq.*

(ii) the maintenance of a viable agricultural community, including in hill and mountain areas and less-favoured areas, whose importance within the common agricultural policy the Council wishes to emphasize;

(iii) to emphasize the role of agriculture in protecting the environment.

The measures to be introduced provide for a pre-pension scheme, aids for the adaptation of production systems with a view to reducing production, compensatory allowances and protection of the environment.

The Council will also adopt a decision on agricultural research, on the basis of proposals from the Commission.¹

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Rationalization and improvement of health conditions in slaughterhouses in Belgium

2.1.245. On 22 December the Council adopted, with Parliament's endorsement,² a Regulation on the rationalization and improvement of health conditions in slaughterhouses in Belgium.³ To that end a common measure is introduced for three years from 1 January 1987.

Legislation

Veterinary and animal husbandry legislation

2.1.246. On 22 December the Council adopted a Decision,⁴ endorsed by Parliament³ and the Economic and Social Committee (→ point 2.4.39), introducing a supplementary Community measure for the eradication of brucellosis, tuberculosis and leukosis in cattle.⁵

2.1.247. On 16 December the Council also adopted Decisions introducing Community financial measures for the eradication of African swine fever in Spain and Portugal.⁶

The Council had approved the corresponding proposals from the Commission⁷ on 18 November.⁸

Plant health legislation

Accession-related measures

2.1.248. On 18 December, acting on a proposal from the Commission,⁹ the Council amended,⁶ to take account of the accession of Spain and Portugal, its Directive of 21 December 1976 on protective measures against the introduction into the Member States of organisms harmful to plants or plant products.¹⁰

Competition

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

Germany

Hessen

Aids to develop and maintain valuable plants in meadows and fields for the improvement of the environment.

Schleswig-Holstein

Aids for the payment of interest for a maximum of 10 years in respect of short and medium-term loans, mainly connected with investments.

¹ Bull. EC 4-1986, point 1.3.7.

² OJ C 7, 12.1.1987.

³ OJ L 370, 30.12.1986. See also OJ C 329, 19.12.1985; Bull. EC 1-1986, point 2.1.106.

⁴ OJ L 24, 27.1.1987.

⁵ OJ C 292, 18.11.1986; Bull. EC 11-1986, point 2.1.198.

⁶ OJ L 382, 31.12.1986.

⁷ OJ C 197, 6.8.1986; OJ C 203, 12.8.1986; Bull. EC 7/8-1986, point 2.1.167.

⁸ Bull. EC 11-1986, point 2.1.197.

⁹ Bull. EC 2-1986, point 2.1.123.

¹⁰ OJ L 26, 31.1.1977.

Denmark

Amended 1985/86 budget of the pig fund and statement of expenditure concerning the potato fund.

France

Aids for modernization of the wine industry (research, technical back-up, improvement of land structures, improvement of processing, storage and bottling).

Individual development programmes for sheep production (Ofival). These measures require examination under the Community socio-structural provisions (Regulation (EEC) No 797/85).

Aid for the discontinuation of activity in the poultry industry, to encourage poultry farmers to abandon egg production and destroy their installations.

Greece

Aids for farmers whose holdings were damaged by fire in 1985:

- (i) two-year suspension of reimbursement of debts to the Agricultural Bank of Greece, without post-maturity interest;
- (ii) direct financial aid compensating for the loss of capital goods destroyed, generally equivalent to 50% of the purchase price of replacement capital goods.

Aid to stockfarmers, poultry farmers, beekeepers and others who were victims of disasters in 1986.

Measures for the improvement of crop productivity in 1986.

Ireland

Exchange rate guarantee scheme for short-term working capital: this is aid granted to offset weather conditions of a severity equivalent to a natural disaster.

Italy

Decree of the President of the Council of Ministers of 29 November 1985 amending

the Decree of 2 April 1982 on the interest rebates to be applied in Italy for credit operations. This involves short-term loans, medium and long-term loans for investments in production and medium and long-term loans related to investments in processing and marketing.

Luxembourg

Draft measure to compensate wine-growers partly for losses of income as a result of the poor harvest in 1985 owing to exceptionally poor weather conditions.

2.1.250. Again under the terms of Articles 92 to 94 of the Treaty, the Commission decided to terminate an inquiry into French aids for the restructuring of dairy businesses, the aids having been discontinued.

Fisheries

Council

2.1.251. At its meetings on 3 and 4 December and 17 and 18 December the Council adopted:

- (i) a Regulation amending the Regulation of 29 June 1982 establishing certain control measures for fishing activities by vessels of the Member States (→ point 2.1.255);
- (ii) a Regulation on Community measures to improve and adapt structures in the fisheries and aquaculture sector (→ point 2.1.285);
- (iii) the guide prices for fishery products for 1987 (→ point 2.1.282);
- (iv) a Decision on the conclusion of an Agreement in the form of an exchange of letters concerning an extension of the Protocol to the Agreement between the Community and the Government of the Democratic Republic of Sao Tome and Principe on fishing off the coast of that country (→ point 2.1.272).

Agreement was also reached by qualified majority, on the basis of a compromise pre-

pared by the Commission and the Presidency, on the Regulation fixing, for certain stocks and groups of fish stocks, total allowable catches (TACs and quotas) for 1987 and certain conditions under which they may be fished (→ point 2.1.252).

The Council then reached agreement on:

(i) a Regulation fixing the overall quantities of horse mackerel and blue whiting allocated to Spain for 1987 (→ point 2.1.254), and three Regulations laying down certain accession-related conservation measures (→ point 2.1.253);

(ii) Regulations concerning the Community's fishing relations in 1987 with Norway (→ point 2.1.265), the Faeroe Islands (→ point 2.1.267), Sweden (→ point 2.1.266) and Greenland (→ point 2.1.268);

(iii) a Regulation laying down, for 1987, certain measures for the conservation and management of fishery resources applicable to vessels flying the flag of certain non-member countries in the 200-mile zone off the coast of French Guiana (→ point 2.1.271);

(iv) a Regulation allocating among the Member States the Community catch quotas in Canadian waters in 1987 (→ point 2.1.270);

(v) a Regulation amending the basic Regulation in respect of technical measures for the conservation of fishery resources (→ point 2.1.257).

Lastly, the Council took note of an oral report from the Commission concerning the Community's relations with certain international organizations and certain non-member countries.

Resources

Internal aspects

Community measures

TACs and quotas for 1987

2.1.252. On 22 December the Council, acting on a proposal from the Commission,¹

adopted a Regulation fixing, for certain stocks and groups of fish stocks, total allowable catches for 1987 and certain conditions under which they may be fished.²

Accession-related measures

2.1.253. The Council, acting on a proposal from the Commission,³ adopted three Regulations² laying down maximum numbers and conditions for:

(i) vessels of the Member States, other than Spain and Portugal, authorized to fish in Spanish waters;

(ii) vessels of the Member States, other than Spain and Portugal, authorized to fish in Portuguese waters;

(iii) Portuguese vessels authorized to fish in the waters of Member States other than Spain and Portugal.

2.1.254. On 22 December the Council, acting on a proposal from the Commission,³ adopted a Regulation fixing the overall quantities of horse mackerel and blue whiting allocated to Spain for 1987.²

Control measures

2.1.255. Parliament having delivered its opinion,⁴ the Council adopted by qualified majority, on a proposal from the Commission,⁵ an amendment² to the Regulation of 29 June 1982 establishing certain control measures for fishing activities by vessels of the Member States.⁶

The Council had given a favourable reception to the proposal in November.⁷

2.1.256. The Commission presented to the Council two proposals for Decisions on

¹ COM(86) 727 final.

² OJ L 376, 31.12.1986.

³ COM(86) 701 final.

⁴ OJ C 7, 12.1.1987.

⁵ OJ C 245, 1.10.1986; Bull. EC 9-1986, point 2.1.132.

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

⁷ Bull. EC 11-1986, point 2.1.209.

Community financial assistance for the surveillance and control of fishing activities, the one relating solely to Portugal, in accordance with a declaration annexed to the Act of Accession,¹ and the other relating to all Member States.²

Technical measures

2.1.257. The Council adopted by qualified majority, on a proposal from the Commission,³ a Regulation⁴ amending the Regulation of 7 October 1986 laying down certain technical measures for the conservation of fishery resources.⁵

The amendment provides for a one-year derogation from the eight-metre limit on the length of beam used in the continental coastal zone of the North Sea and changes the position of the dividing line in the West of Scotland subarea north of which the mesh size is to be increased from 80 mm to 90 mm with effect from 1 January 1989.

2.1.258. Following this amendment, the Commission adopted two Regulations on 30 December listing the vessels exceeding 8 m length overall which are permitted to use beam trawls in certain coastal areas.⁶

Prohibition measures

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

(i) vessels flying the flag of a Member State from fishing for cod in NAFO division 3M with effect from 5 December;⁷

(ii) vessels flying the flag of a Member State other than Spain and Portugal from fishing for horse mackerel in ICES divisions V b (EC zone), VI, VII, VIII a, b, d, XII and XIV with effect from 24 December;⁸

(iii) Irish vessels from fishing for herring in ICES division VII a with effect from 7 September⁹ and for hake in ICES divisions V b (EC zone), VI, VII, XII and XIV with effect from 28 November;¹⁰

(iv) Belgian vessels from fishing for haddock in ICES divisions V b (EC zone), VI, XII and XIV with effect from 11 December;¹¹

(v) Dutch vessels from fishing for whiting in ICES divisions II a (EC zone) and IV with effect from 12 December,¹² for plaice in ICES divisions II a (EC zone) and IV with effect from 20 December¹³ and for haddock in ICES divisions II a (EC zone) and IV with effect from 19 December;⁸

(vi) Danish vessels from fishing for sprat in ICES divisions III b, c and d (EC zone) with effect from 6 December.⁸

2.1.260. On 22 December, following a transfer of quotas between Member States, the Commission amended⁸ its Regulation of 24 November 1986 concerning the stopping of fishing for herring by vessels flying the flag of Ireland.¹⁴

2.1.261. In December, following transfers of quotas between Member States, the Commission repealed¹⁵ its Regulations of November 1986 prohibiting:

(i) German vessels from fishing for hake in ICES divisions II a (EC zone) and IV (EC zone);¹⁶

(ii) French vessels from fishing for ling and blue ling in Faeroese waters;¹⁷

(iii) United Kingdom vessels from fishing for cod in ICES subareas VII (excluding VII

¹ OJ C 323, 16.12.1986; COM(86) 673 final.

² OJ C 336, 31.12.1986; COM(86) 661 final.

³ COM(86) 558 final.

⁴ OJ L 376, 31.12.1986.

⁵ OJ L 288, 11.10.1986; Bull. EC 10-1986, point 2.1.174.

⁶ OJ L 8, 10.1.1987.

⁷ OJ L 342, 5.12.1986.

⁸ OJ L 365, 24.12.1986.

⁹ OJ L 340, 3.12.1986.

¹⁰ OJ L 342, 5.12.1986.

¹¹ OJ L 349, 11.12.1986.

¹² OJ L 355, 16.12.1986.

¹³ OJ L 361, 20.12.1986.

¹⁴ OJ L 332, 26.11.1986; Bull. EC 11-1986, point 2.1.210.

¹⁵ OJ L 344, 6.12.1986; OJ L 348, 10.12.1986.

¹⁶ OJ L 313, 8.11.1986; Bull. EC 11-1986, point 2.1.210.

¹⁷ OJ L 306, 1.11.1986; Bull. EC 11-1986, point 2.1.210.

a), VIII, IX and X and in Cefac division 34.1.1 (EC zone).¹

National measures

Measures to give effect to Community rules

2.1.262. On 16 December the Commission took note of an Irish Order of 1985 giving effect to certain provisions of the Regulations of 4 December 1984² and 19 December 1984³ concerning the fishing activities of vessels from non-member countries (Sweden, Norway, the Faeroe Islands and Spain) in Irish waters.

Checks on the application of Community law

2.1.263. On 16 December the Commission sent the Netherlands a reasoned opinion because of the overfishing of catch quotas in the Community's fishing zone during the period 1983-85.

2.1.264. On 16 December the Commission also sent Ireland a reasoned opinion because of the incompatibility of the Fisheries (Amendment) Act 1983 with Community rules. The Commission considers that the Act contains a provision contrary to Article 52 of the Treaty in that the conditions for the granting of a fishing licence by Ireland differ according to whether the applicant has Irish nationality or that of another Member State.

External aspects

Bilateral relations

Norway

2.1.265. On 22 December the Council, acting on a proposal from the Commission,⁴ adopted two Regulations,⁵ the one laying down for 1987 certain measures for the

conservation and management of fishery resources applicable to vessels flying the flag of Norway and the other allocating certain catch quotas between Member States for vessels fishing in the Norwegian economic zone and the fishery zone around Jan Mayen.

Sweden

2.1.266. On 22 December, following the annual bilateral consultations between the Community and Sweden,⁶ the Council, acting on a proposal from the Commission,⁷ adopted two Regulations,⁵ one laying down for 1987 certain measures for the conservation and management of fishery resources applicable to vessels flying the flag of Sweden and the other allocating among the Member States catch quotas for vessels fishing in Swedish waters.

Faeroe Islands

2.1.267. On 22 December, on the basis of the annual bilateral consultations between the Community and the Faeroe Islands,⁸ the Council, acting on a proposal from the Commission, adopted two Regulations,⁵ one allocating among the Member States catch quotas for vessels fishing in Faeroese waters and the other laying down for 1987 certain measures for the conservation and management of fishery resources applicable to vessels registered in the Faeroe Islands.

Greenland

2.1.268. On 18 December, pursuant to the Arrangement concluded on 18 November

¹ OJ L 332, 26.11.1986; Bull. EC 11-1986, point 2.1.210.
² OJ L 318, 7.12.1984; Bull. EC 12-1984, point 2.1.186.
³ OJ L 1, 1.1.1985; Bull. EC 12-1984, points 2.1.181, 2.1.183 and 2.1.184.
⁴ COM(86) 758 final.
⁵ OJ L 376, 31.12.1986.
⁶ Bull. EC 11-1986, point 2.1.215.
⁷ COM(86) 772 final.
⁸ Bull. EC 11-1986, point 2.1.216.

between the Community and Greenland,¹ the Council, acting on a proposal from the Commission,² adopted a Regulation allocating for 1987 the Community catch quotas in Greenland waters.³

Norway and Sweden

2.1.269. On the basis of the trilateral consultations held by the Community, Norway and Sweden,⁴ the Council fixed the total allowable catches for fish stocks in the Skagerrak and Kattegat and allocated them among the Member States.

Canada

2.1.270. On 18 December the Council, acting on a proposal from the Commission,⁵ adopted a Regulation allocating the 1987 Community catch quotas in Canadian waters among Member States.⁶

French Guiana

2.1.271. On 22 December the Council, acting on a proposal from the Commission,⁷ adopted a Regulation laying down for 1987 certain measures for the conservation and management of fishery resources applicable to vessels flying the flag of certain non-member countries in the 200-nautical-mile zone off the coast of French Guiana.⁶

Sao Tome and Principe

2.1.272. On 3 December the Council, acting on a proposal from the Commission,⁸ adopted a Decision⁹ on the conclusion of an Agreement in the form of an exchange of letters concerning an extension of the Protocol to the Agreement between the Community and the Government of the Democratic Republic of Sao Tome and Principe on fishing off the coast of that country.¹⁰

Guinea

2.1.273. On 11 December the Council, acting on a proposal from the Commission,¹¹ adopted a Decision¹² on the conclusion of an Agreement in the form of an exchange of letters concerning the provisional application of the Agreement amending that between the Community and the Government of the Republic of Guinea on fishing off the coast of that country,¹³ for a three-year period starting on 8 August 1986.

2.1.274. Parliament endorsed¹⁴ the proposal for a Regulation concluding the amending Agreement¹⁵ at its December part-session.

Equatorial Guinea

2.1.275. On 11 December the Council, acting on a proposal from the Commission,¹⁶ adopted a Decision¹² on the conclusion of an Agreement in the form of an exchange of letters concerning the provisional application of the Agreement amending that between the Community and the Government of the Republic of Equatorial Guinea on fishing off the coast of that country,¹⁷ for a three-year period starting on 27 June 1986.

2.1.276. At its December part-session Parliament endorsed¹⁶ the proposal for a Regu-

¹ Bull. EC 11-1986, point 1.2.217.

² COM(86) 761 final.

³ OJ L 364, 23.12.1986.

⁴ Bull. EC 10-1986, point 2.1.185.

⁵ COM(86) 685 final.

⁶ OJ L 376, 31.12.1986.

⁷ COM(86) 757 final.

⁸ Bull. EC 10-1986, point 2.1.178.

⁹ OJ L 344, 6.12.1986.

¹⁰ OJ L 54, 25.2.1984; Bull. EC 2-1984, point 2.1.136; OJ L 114, 27.4.1985; Bull. EC 4-1985, point 2.1.92.

¹¹ Bull. EC 10-1986, point 2.1.179.

¹² OJ L 372, 31.12.1986.

¹³ OJ L 111, 27.4.1983; Bull. EC 3-1983, point 2.1.133.

¹⁴ OJ C 7, 12.1.1987.

¹⁵ OJ C 294, 20.11.1986; Bull. EC 10-1986, point 2.1.179.

¹⁶ Bull. EC 10-1986, point 2.1.180.

¹⁷ OJ L 188, 16.7.1984; Bull. EC 6-1984, point 2.1.120.

lation concluding the amending Agreement.¹

Senegal

2.1.277. On 22 December the Council, acting on a proposal from the Commission,² adopted a Decision³ on the conclusion of an Agreement in the form of an exchange of letters concerning the provisional application of the Protocol establishing the fishing rights and financial compensation provided for in the Agreement between the Community and the Government of the Republic of Senegal on fishing off the coast of that country⁴ for the period from 1 October 1986 to 28 February 1988.

Seychelles

2.1.278. On 2 and 3 December further negotiations⁵ were held in Victoria with a view to reaching a new agreement between the Community and the Republic of Seychelles, the previous Agreement⁶ having been denounced by the Seychelles Government. The negotiations ended with the initialling of a new Agreement which takes account of the Community's interests and provides for tuna-fishing authorizations for 40 Community vessels over a three-year period. The new arrangements are to apply provisionally with effect from 18 January 1987.

Madagascar

2.1.279. The Joint Committee set up under the Agreement between the Community and the Democratic Republic of Madagascar⁷ met in Antananarivo at the Community's request on 27 and 28 November to consider certain problems relating to Community vessels fishing for tuna and crustaceans in Malagasy waters. Satisfactory solutions were found to these problems.

Protocol 1 to the Agreement, which concerns tuna fishing, was also renegotiated to take account of the consequences of enlargement and the increase in the number of Community vessels applying to fish in Malagasy waters. The number of tuna-fishing authorizations was increased from 27 to 49 and the number of vessels permitted to fish simultaneously from 18 to 33.

Mozambique

2.1.280. Further negotiations⁸ between the Community and Mozambique were held in Brussels from 7 to 11 December with a view to replacing both the Spain-Mozambique Agreement, which expires on 31 December 1986, and the Portugal-Mozambique Agreement by a fisheries agreement between the Community and Mozambique. The negotiations ended with the initialling of an Agreement under which authorizations may be granted for tuna fishing and prawn fishing. The Agreement is to apply provisionally from 1 January 1987.

Multilateral relations

International Commission for the South-East Atlantic Fisheries

2.1.281. The Commission was present as an observer at the seventh special session of the International Commission for the South-East Atlantic Fisheries, held in Las Palmas from 25 November to 9 December.

Markets and structures

Market organization

2.1.282. On 18 December the Council, acting on a proposal from the Commission,⁹

¹ OJ C 268, 24.10.1986; Bull. EC 10-1986, point 2.1.180.

² Bull. EC 11-1986, point 2.1.212.

³ OJ L 382, 31.12.1986.

⁴ OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.197.

⁵ Bull. EC 10-1986, point 2.1.182.

⁶ OJ L 149, 8.6.1985; Bull. EC 6-1985, point 2.1.144.

⁷ OJ L 73, 18.3.1986; Bull. EC 2-1986, point 2.1.139.

⁸ Bull. EC 10-1986, point 2.1.183.

⁹ Bull. EC 11-1986, point 2.1.220.

adopted Regulations fixing, for the 1987 fishing year, the guide prices for fishery products and the Community producer price for tuna intended for the canning industry.¹

2.1.283. On 23 December the Commission adopted various Regulations on the fixing of prices for the 1987 fishing year: withdrawal and selling prices, reference prices, carryover premiums, storage premiums, standard values for the calculation of financial compensation in respect of certain products, reference prices for intra-Community trade in Atlantic sardines and anchovies, the guaranteed minimum price for Atlantic sardines and the compensatory allowance for Mediterranean sardines.²

Accession-related measures

2.1.284. In the context of the Community's enlargement the Commission adopted Regulations:

(i) suspending for the 1987 fishing year the duties applicable to fresh fishery products originating in Morocco and coming from joint fishery ventures set up between natural or legal persons from Portugal and Morocco;³

(ii) opening tariff quotas for the 1987 fishing year for fishery products coming from joint ventures set up between natural or legal persons from Spain and from other countries;³

(iii) fixing for the 1987 fishing year the annual import quotas for the products subject to the rules for the application by Spain and Portugal of quantitative restrictions on fishery products;² and

(iv) fixing for the 1987 fishing year the overall foreseeable level of imports for the products subject to the supplementary trade mechanism in the fisheries sector.²

Structures

2.1.285. On 18 December the Council, having received Parliament's opinion,⁴

adopted a Regulation⁵ on Community measures to improve and adapt structures in the fisheries and aquaculture sectors⁶ over a 10-year period beginning on 1 January 1987.

This Regulation provides for the granting, during the first five years, of Community financial aid totalling 800 million ECU⁷ for the following measures:

(i) restructuring, renewal and modernization of the fishing fleet;

(ii) development of aquaculture and establishment of protected marine areas with a view to improved management of coastal waters;

(iii) encouragement of new types of fishing by the promotion of exploratory fishing voyages and joint ventures;

(iv) adjustment of capacities through the temporary or permanent withdrawal of certain fishing vessels;

(v) provision of facilities at fishing ports with a view to improving conditions for the production and landing of fishery products;

(vi) prospecting for new markets for products obtained from surplus or underfished species.

2.1.286. Pursuant to Regulation (EEC) No 2908/83 of 4 October 1983 on a common measure for restructuring, modernizing and developing the fishing industry and for developing aquaculture,⁸ the Commission on 15 December approved the guidance programmes for the fishing fleet and aquaculture submitted by the Federal Republic of Germany for 1986, the guidance programme for the fishing fleet submitted by Belgium for 1986 and a supplement to the French

¹ OJ L 365, 24.12.1986.

² OJ L 379, 31.12.1986.

³ OJ L 370, 30.12.1986.

⁴ OJ C 7, 12.1.1987.

⁵ OJ L 376, 31.12.1986.

⁶ OJ C 279, 5.11.1986; Bull. EC 9-1986, point 2.1.142; Bull. EC 11-1986, point 2.1.223.

⁷ Bull. EC 11-1986, point 2.1.223.

⁸ OJ L 290, 22.10.1983; Bull. EC 10-1983, point 2.1.162.

aquaculture programme for the period 1986-88, submitted by France on behalf of the Pays de la Loire.¹

2.1.287. Pursuant to the same Regulation,² the Commission granted as the

single instalment for 1986 aid totalling 77 100 000 ECU towards 251 projects for the construction of new vessels, 529 vessel-modernization projects, 137 aquaculture projects and 5 artificial-reef projects. Table 17 provides a breakdown of this aid.

Table 17 — *Aid granted pursuant to the common measure for restructuring, modernizing and developing the fishing industry and for developing aquaculture (Regulation No 2908/83)*

	Projects submitted		Projects approved		
			Aid granted		
	Number	Aid requested (million ECU ¹)	Number	in national currency	in million ECU ²
Belgium	16	2.14	10	11 704 497	0.27
Denmark	158	10.93	90	25 572 990	3.26
Germany (FR)	63	8.10	56	9 264 179	4.46
Greece	98	11.75	64	609 618 427	4.19
Spain	236	105.96	137	3 107 475 380	22.06
France	220	23.31	121	67 582 195	9.93
Ireland	74	16.66	62	3 441 090	4.50
Italy	415	83.73	136	12 847 171 911	8.92
Netherlands	44	10.10	22	6 690 420	2.85
Portugal	148	19.97	95	1 251 526 927	8.05
United Kingdom	226	35.72	129	6 359 434	8.61
Total	1 698	328.27	922	—	77.10

¹ 1 November rate.

² 1 December rate.

2.1.288. Pursuant to Regulation (EEC) No 355/77 of 15 February 1977 on common measures to improve the conditions under which agricultural and fishery products are processed and marketed,³ the Commission approved the specific programmes submitted by France for its overseas departments and by Belgium for the period 1986-90.

2.1.289. Pursuant to the same Regulation,³ the Commission granted, as the

second instalment of EAGGF Guidance Section aid for 1986,⁴ aid totalling 15 890 474 ECU towards 69 investment programmes in the fisheries sector. Table 18 gives a breakdown of this aid.

¹ OJ L 17, 20.1.1987.

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

³ OJ L 51, 23.2.1977.

⁴ Bull. EC 6-1986, point 2.1.219.

Table 18' — *Aid from the EAGGF Guidance Section, second instalment for 1986*

	Number of projects	Aid (in ECU ¹)
Belgium	2	119 970
Denmark	10	687 205
Germany (FR)	5	485 221
Greece	1	209 584
Spain	13	2 867 072
France	7	2 734 664
Ireland	2	275 481
Italy	5	3 399 663
Netherlands	5	848 412
Portugal	7	1 828 891
United Kingdom	12	2 434 311
Total	69	15 890 474

¹ December 1986 rate.

2.1.290. Pursuant to Directive 83/515/EEC of 4 October 1983,¹ the Commission approved the payment of the Community's financial contribution (0.14 million ECU) towards the eligible expenditure incurred by Greece on certain measures to adjust capacities in the fisheries sector.

2.1.291. Pursuant to Regulation (EEC) No 2909/83 of 4 October 1983 on measures to encourage exploratory fishing and cooperation through joint ventures to the fishing sector,¹ the Commission also approved the payment of the Community's financial contribution towards an exploratory fishing voyage organized from Germany.

2.1.292. Lastly, pursuant to the Regulation of 20 December 1985 on a system of structural aid for the conversion of sardine canning plants,² the Commission granted aid totalling some 3.9 million ECU towards two projects for the promotion of tinned sardines in France and Italy.

Transport

Council

2.1.293. Further progress was made on air transport at the meeting of Transport Min-

isters in Brussels on 15 and 16 December, though no final agreement was reached (→ point 2.1.303). The Council then discussed matters relating to inland transport and adopted a Regulation on Community funds for transport infrastructure projects (→ point 2.1.294). It went on to discuss access to the market in the carriage of goods by road (→ point 2.1.297), and then reached some conclusions on the management of the Community's railways (→ point 2.1.296). Lastly, the Council adopted an important package of measures on sea transport, which constitutes the first step towards a Community shipping policy (→ point 2.1.300).

Infrastructure

2.1.294. On 22 December, after both Parliament³ and the Economic and Social Committee (→ point 2.4.40.) had delivered opinions, the Council adopted a Regulation⁴ enabling the allocation of 90 million ECU carried over from 1985 for infrastructure projects.⁵

These include the new transalpine railway line through a tunnel under the Brenner Pass, access roads to the Channel Tunnel and improvements to the main road between the Peloponnese and the Yugoslav frontier.

Inland transport

Frontier formalities and inspections

2.1.295. On 15 December the Council adopted a Directive supplementing the Directive of 1 December 1983 on the facilitation of physical inspections and adminis-

¹ OJ L 290, 22.10.1983; Bull. EC 10-1983, point 2.1.162.

² OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.206.

³ OJ C 7, 12.1.1987.

⁴ OJ L 378, 31.12.1986.

⁵ OJ C 323, 16.12.1986; Bull. EC 11-1986, point 2.1.227.

trative formalities in respect of the carriage of goods by road between Member States,¹ on which it reached agreement in June.² The Directive, which follows on from the Commission's White Paper on completing the internal market,³ is designed to eliminate some more of the problems faced by all modes of transport at frontier crossing-points.

Railways

2.1.296. On 15 December the Council reached a number of conclusions on the next stages in the development of Community policy to improve the situation of railway undertakings. It agreed on a number of principles and on the fields where measures would have to be taken to implement these principles.

Bearing in mind the 1984 Commission proposals⁴ and in accordance with the principles agreed upon, the Council concluded that the next stage in developing Community rail policy should be to establish general rules, based on Commission proposals, in the areas identified which are not yet covered by Community rules.

Road transport

Access to the market

2.1.297. The Council agreed to maintain the allocation of the increases in the Community quota for 1987 as laid down in the Commission Decision⁵ of 30 September while adding an extra 60 authorizations to those allocated to Belgium.

The Council also instructed the Permanent Representatives Committee to continue its examination of the proposal made by the Commission on 5 November,⁶ which provided for a 40% increase in the Community quota each year from 1987, and in so doing to review the proposed method of allocating authorizations between Member States, in

order to enable a decision to be taken at the next Council meeting.

Taxation

2.1.298. On 12 December the Commission sent the Council a communication on elimination of distortions of competition of a fiscal nature in the transport of goods by road: study of vehicle taxes, fuel taxes and road tolls.⁷ The report analyses the different rates charged for these taxes and tolls in the Community and considers their effects both on competition in terms of the cost and profitability of road transport and on the tax revenue of Member States. Finally, it considers possible ways of eliminating distortions in competition and the more general matter of charging infrastructure costs.

Technical aspects

2.1.299. On 17 December the Commission adopted for transmittal to the Council a communication on speed limits on motorways, other non-urban roads and in urban areas.⁸

The Commission considers that speed limits should be applied on all Community roads and to all types of traffic. A 'normal limit' of 120 km/h for private cars and motor cycles could be set for motorways, with a lower limit on very busy motorways near urban areas.

On other non-urban roads limits should be lower than the normal limit on motorways. Coaches and heavy goods vehicles should be subject to much lower speed limits than cars and motorcycles, reflecting their increased impact energy and braking

¹ OJ L 359, 22.12.1983.

² Bull. EC 6-1986, point 2.1.222.

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

⁴ OJ C 36, 10.2.1984; Bull. EC 1-1984, point 2.1.100.

⁵ OJ L 285, 8.10.1986; Bull. EC 9-1986, point 2.1.147.

⁶ Bull. EC 11-1986, point 2.1.228.

⁷ COM(86) 750 final.

⁸ COM(86) 735 final.

energy. Finally, limits in urban areas, where there is already a wide degree of harmonization, should be maintained.

The document is designed to enable the Commission to prepare a proposal for a Directive on the subject, after extensive consultation of all parties concerned.

Sea transport

2.1.300. The Council made considerable progress and on 22 December reached agreement on four of the Regulations¹ which had been proposed in April 1985.² Two proposals which formed part of the package have still not been adopted. One part of one of the four proposals has been held over for further discussion.

These agreements mark an important step towards the attainment of a single internal market and concern the following Regulations:

(i) A Regulation applying the principle of freedom to provide services to maritime transport between Member States and between Member States and non-member countries. This Regulation is designed to phase out unilateral national restrictions on freedom to provide services between Member States and between Member States and other countries according to a set timetable. It also provides for the phasing-out, or adjustment in accordance with Community legislation, of cargo-sharing arrangements contained in Member States' bilateral agreements with non-member countries. It prohibits the inclusion of such arrangements in any future agreements with these countries except in defined exceptional circumstances and not in the bulk maritime transport sector.

(ii) A Regulation which lays down detailed rules for the application of Articles 85 and 86 of the Treaty to international maritime transport services to or from Community ports, other than tramp vessel services (cargo services which do not ply set routes). This Regulation includes provision

for block exemptions for liner conference agreements concerning the operation of scheduled maritime cargo services subject to certain conditions and obligations.

(iii) A Regulation on unfair pricing practices in the maritime transport sector. This provides for the application of a redressive duty in cases where the prices charged by a non-member-country shipowner who benefits from certain non-commercial advantages are lower than those charged by an owner who does not have these advantages, such as to cause serious prejudice to Community shipowners operating on the route and to Community interests.

(iv) A Regulation on coordinated action to safeguard free access to ocean trades. This provides for coordinated action by Member States when action by a non-member country or by its agents restricts or threatens to restrict free access by shipping companies of Member States, or by ships registered in a Member State in accordance with its legislation, to the transport of:

- (a) liner cargoes in Code trades, except where such action is taken in accordance with the United Nations Convention on a Code of Conduct for Liner Conferences;
- (b) liner cargoes in non-Code trades;
- (c) bulk cargoes and any other cargo on tramp services;
- (d) passengers;
- (e) persons or goods to or between offshore installations.

Ports

2.1.301. On 16 December the Council adopted conclusions based on work carried out by the Commission concerning transparency of financial relations between the ports sector and public authorities. It invited the Commission to make a report to the Council not later 31 December 1987.

¹ OJ L 378, 31.12.1986.

² Supplement 5/85 — Bull. EC; OJ C 212, 23.8.1985; Bull. EC 4-1985, point 1.2.1 *et seq.*

2.1.302. On 16 December the Council adopted a Decision,¹ on a proposal from the Commission,² extending until 31 December 1988 the system of collecting information on the activities of carriers participating in cargo liner traffic between the Member States and East Africa, Central America and the Far East.³

Air transport

2.1.303. Further progress on air transport was made at the Council meeting of 15 and 16 December.⁴ All Member States are now in a position, in the context of an overall package, to subscribe to the minimum capacity sharing range of 55:45 in the first two years and 60:40 in the third year unless the Council decides otherwise. There was also some progress on fares and on multiple designation, though there is still no agreement on the specific conditions to be attached to cheap fares nor on some aspects of access to the market.

Mr John Moore, the current President of the Council, said that most Member States were now able to subscribe to most of the package of measures to liberalize air transport in the Community. Although the relevant directives had not yet been adopted, there was a solid and irreversible basis on which Mr Herman De Croo, Belgium's Transport Minister, would be able to build and thus secure the adoption of the measures after taking over as Council President in January.

Energy

Specific problems

Natural gas

2.1.304. On 19 December the Commission sent to the Council a communication on natural gas which focuses, among other

things, on the Community's security of supply.⁵ Two years after its 1984 communication on the subject,⁶ the Commission thinks that the time has come to bring the Council's attention to certain important points concerning the outlook for the Community's natural gas supplies and the security of supply.

The present situation

2.1.305. The need for the Community to reduce its dependence on oil for its energy supplies and to diversify its sources of supply was brought home during the 1973 oil crisis. Since then the Community has made every effort to reduce oil's massive share of its fuel supplies, and has endeavoured to increase natural gas's share. In 1971 natural gas accounted for only 9.1% of gross inland energy consumption, compared with 19.2% in 1985. Apart from the fields within its borders, the Community obtains its supplies from Norway, the Soviet Union and Algeria (which between them have nearly half the known world gas reserves).

The role of natural gas in the coverage of energy requirements is likely to remain stable in the short and medium term and could increase in the long term.

The Community's sources of supply

2.1.306. The Community's natural gas reserves, which are located mainly in the North Sea and the Netherlands, are estimated at 2 880 million tonnes of oil equivalent, corresponding to 21 years of production. Dutch gas will represent 23% of total Community consumption in the year 2000. However, imports now cover one third of requirements and it is estimated

¹ OJ L 382, 31.12.1986.

² COM(86) 680 final.

³ OJ L 368, 28.12.1982; Bull. EC 12-1982, point 2.1.163; OJ L 341, 29.12.1984; Bull. EC 12-1984, point 2.1.207.

⁴ Bull. EC 6-1986, point 2.1.233.

⁵ COM(86) 518 final.

⁶ Bull. EC 10-1982, point 2.1.121.; Bull. EC 11-1982, point 2.1.135; Bull. EC 4-1984, point 2.1.121.

that they will cover over 40% of natural gas consumption by 1990.

Norway has recently concluded major contracts for the sale of gas to four Community countries: Belgium, France, Germany and the Netherlands. Some 20 000 million cubic metres of gas will be supplied each year under these contracts starting in the year 2000 (from the Sleipner and Troll fields).

Algeria has vast reserves of natural gas, and the supply contracts which it has concluded with several Member States will make it a major supplier to the Community at least until the end of the century.

In 1990 the Soviet Union will be the Community's largest supplier, providing some 16% of the natural gas consumed in the Community.

The Commission will continue to pay great attention to the long-term supply potential of other, more remote sources.

Security of supply

2.1.307. The Commission regularly analyses and discusses matters relating to the security of the Community's natural gas supplies with the Member States in order to identify ways of guaranteeing security of supply, namely underground storage, interruptible contracts and flexible domestic production. The present situation shows a marked improvement on 1982, with the Community capable of withstanding nine months' interruption of supplies from any outside source.

Complete cross-frontier cooperation between the gas companies in the Member States is another fundamental prerequisite for security of supply.

The Community, the Member States and the gas industry should therefore, each in its own way, help to achieve further integration of the gas grid so as to allow economies to be made in the long-distance trans-

mission of natural gas and enable exchange deals to be made between buyers in order to avoid unnecessary physical transfers of gas.

The natural-gas supply systems in the United Kingdom, Spain and Ireland are still isolated from the grids of neighbouring countries. An examination will be made of the possibility of integrating them and, at some point in the future, the Greek and Portuguese systems into the European gas grid.

In addition, the construction of new infrastructure in the North Sea will provide a pipeline network linking gas fields to landing points on the coasts of several Member States.

Relations with producing or importing countries

2.1.308. The fifth annual high-level meeting between the Secretariat-General of the Organization of Arab Petroleum Exporting Countries and the Commission was held in Kuwait on 8 and 9 December. The OAPEC delegation was headed by Dr Ali Attiga, the Secretary-General, and the Commission delegation by Mr Constantinos Maniopoulos, the Director-General for Energy.

The meeting reviewed cooperation between the two organizations in 1986 and finalized preparations for the Community/OPEC/OAPEC seminar on medium and long-term energy prospects, to be held in Luxembourg from 17 to 19 March 1987.

The Commission delegation met Sheikh Ali al-Khalifa al-Sabah, Kuwait's Minister for Oil and Industry and Chairman of the Board of Kuwait Petroleum Corporation. They also visited the Arab Petroleum Institute in Baghdad. The delegation had detailed discussions with Mr Isam al-Chalabi, Iraq's Deputy Oil Minister, and Mr Naji M. Khaleel, the Chairman of the Scientific Research Council.

2. External relations

Commercial policy

Implementing the common commercial policy

Commercial policy instruments

Import arrangements in respect of State-trading countries

2.2.1. On 22 December the Council adopted the annual Decision on the import quotas to be opened by the Member States in respect of State-trading countries in 1987.

Easing of restrictive measures

2.2.2. Under the Council Regulation of 14 November 1983 on import arrangements for products originating in State-trading countries, not liberalized at Community level,¹ the Commission took the following measures:

Opening of quotas

Italy — People's Republic of China: ball, roller or needle roller bearings;²

Italy — Hungary/Poland/Czechoslovakia/German Democratic Republic/People's Republic of China: unworked cast or rolled glass; unworked drawn or blown glass; natural honey; 'Pol-Mot' vehicles; unwrought aluminium waste, alloyed, recast into ingots; ball, roller or needle roller bearings; polypropylene; fluorspar containing 97% or less by weight of calcium fluoride; oxytetracycline hydrochloride.³

Change of import arrangements

Benelux/Denmark/Spain — Romania: removal of quantitative restrictions on the release for free circulation of various industrial products;⁴

United Kingdom — Hungary/Czechoslovakia/Soviet Union/German Democratic Republic: removal of quantitative restrictions on the release for free circulation of various industrial products.

Trade protection

2.2.3. The trade protection measures taken in December are shown in Table 19.

¹ OJ L 346, 8.12.1983.

² OJ C 320, 13.12.1986.

³ OJ C 332, 24.12.1986.

⁴ OJ L 364, 23.12.1986.

Table 19 — *Trade protection measures*

Council	Commission ¹
<p>Anti-dumping proceedings</p> <p><i>Definitive anti-dumping duty on imports of:</i></p> <p>Potassium permanganate originating in China OJ L 339, 2.12.1986</p> <p>Certain types of deep freezers originating in the Soviet Union OJ L 6, 8.1.1987</p>	<p>Anti-dumping proceedings</p> <p><i>Initiation of anti-dumping proceeding concerning import of:</i></p> <p>Microwave ovens originating in Japan, Singapore or South Korea OJ C 325, 18.12.1986</p> <p><i>Acceptance of undertaking and termination of investigation concerning imports of:</i></p> <p>Potassium permanganate originating in Czechoslovakia, the German Democratic Republic or China</p>

Table 19 — (continued)

Council	Commission ¹
<p><i>Extension of provisional anti-dumping duties on imports of:</i></p> <p>Housed bearing units originating in Japan OJ L 339, 2.12.1986 (provisional duties: OJ L 221, 4.8.1986)</p> <p>Plain-paper photocopiers originating in Japan OJ L 359, 19.12.1986 (provisional duties: OJ L 239, 26.8.1986)</p>	<p>Surveillance measures</p> <p><i>Extension of Community surveillance of imports of:</i></p> <p>Video tape recorders originating in South Korea OJ L 371, 31.12.1986 (introduction of surveillance: OJ L 29, 4.2.1986)</p> <p>Certain products originating in Japan OJ L 371, 31.12.1986 (introduction of surveillance: OJ L 77, 23.3.1983; OJ L 357, 21.12.1983; OJ L 18, 24.1.1986)</p> <p>Certain textile products originating in Malta, Egypt or Turkey OJ L 370, 30.12.1986 (introduction of surveillance : OJ L 320, 19.12.1979; OJ L 146, 31.5.1986; OJ L 170, 27.6.1986.</p> <p><i>Introduction of Community surveillance concerning the release for free circulation of:</i></p> <p>Titanium semi-finished products originating in non-Community countries OJ L 370, 30.12.1986</p> <p><i>Extension of the period of validity of retrospective control of imports of:</i></p> <p>Footwear into the Community OJ L 371, 31.12.1986 (introduction of retrospective control: OJ L 188, 11.7.1978; OJ L 323, 19.12.1979; OJ L 16, 22.1.1986.</p>

¹ For iron and steel products, see points 2.1.58 and 2.1.59.

Individual sectors ¹

Textiles

GATT Textiles Committee

2.2.4. The first meeting of the GATT Textiles Committee since the renewal of the Multifibre Arrangement in July² took place in Geneva on 8 December. In the course of this meeting the Community representative was able, following the Council Decision of 24 November approving the MFA Protocol of extension,³ to confirm formally the continued participation of the Community in the MFA. This brings to 23 the number of participants that have now accepted MFA

IV. The Committee decided on the membership of the Textiles Surveillance Body for 1988: the eight seats will be held by Hong Kong, Finland, India, Indonesia, Uruguay, Japan, the United States and the Community.

Agreements and arrangements with non-member countries

MFA countries

2.2.5. On 8 December the Council took eight decisions concerning the conclusion of

¹ For iron and steel products, see points 2.1.56 to 2.1.63.

² Bull. EC 7/8-1985, point 2.2.1.

³ OJ L 341, 4.12.1986; Bull. EC 11-1986, point 2.2.2.

additional protocols to the agreements on trade in textiles between the Community and certain countries following the accession of Spain and Portugal.¹ The countries in question are: Hungary, Sri Lanka, Uruguay, Guatemala, Egypt, Haiti, Peru and Yugoslavia.

Mediterranean preferential countries

2.2.6. Consultations between the Community and Egypt took place in Brussels on 2 and 3 December, and agreement was reached on an administrative cooperation arrangement for the period 1987-89 to replace the current bilateral textile trade agreement, which expires on 31 December.²

Other discussions in Brussels on 15, 16 and 17 December led to agreements to renew the administrative cooperation arrangements with Tunisia and Morocco, which also expire at the end of the month.

This brings to an end the renegotiation of all the MFA and Mediterranean preferential agreements.

Non-ferrous metals

2.2.7. On 22 December the Council adopted, on a proposal from the Commission,³ a Regulation⁴ extending for 1987 the export arrangements for certain kinds of non-ferrous metal waste and scrap.⁵ These arrangements involve quotas for exports of aluminium and lead waste.

Relations with industrialized countries

United States

Annual ministerial meeting between the Commission and the United States

2.2.8. The annual ministerial meeting⁶ between the Commission and the United

States took place in Brussels on 12 December. The Commission was represented by Mr Jacques Delors, President, Mr Karl-Heinz Narjes, Mr Frans Andriessen and Lord Cockfield, Vice-Presidents, and Mr Claude Cheysson and Mr Willy De Clercq. The United States delegation, headed by the Secretary of State, Mr George Shultz, included Mr James Baker, Secretary of the Treasury, Mr Richard Lyng, Secretary of Agriculture, and Mr Clayton Yeutter, Special Trade Representative. The strength of the US group was of obvious political significance.

At the meeting the Commission emphasized the importance of cooperation within the multilateral framework of GATT. Following the agreement at Punta del Este on the opening of a new round,⁷ it had been stressed that the good climate of collaboration had to continue when negotiations were entered into. Negotiations should advance on a broad front without particular sectors being singled out. A better overall balance of advantages also had to be sought. If the Punta del Este agreement was to remain credible, the commitments on standstill and rollback had to be honoured. The Commission also expressed deep concern about measures passed by Congress before it recessed, notably the discriminatory provisions on the Superfund (tax on imports of oil and petroleum products), customs user fees (additional levy payable on customs clearance of goods) and discriminatory rules on depreciation in respect of light aircraft contained in the tax reform law.

Speaking for the United States, Mr Shultz emphasized the importance of encouraging non-inflationary growth in the OECD countries and keeping a multilateral trading system that was as free as possible.

¹ OJ L 366, 27.12.1986; Bull. EC 12-1985, point 2.3.10; Bull. EC 1-1986, point 2.2.7.

² Bull. EC 11-1986, point 2.2.7.

³ COM(86) 752 final.

⁴ OJ L 377, 31.12.1986.

⁵ OJ L 351, 28.12.1985; Bull. EC 12-1985, point 2.3.12.

⁶ Bull. EC 12-1985, point 2.3.14.

⁷ Bull. EC 9-1986, point 1.4.1 *et seq.*

The two delegations gave a brief press conference after the meeting.

Mr Delors and Mr Shultz made short opening statements. Mr Delors said that the meeting had been largely devoted to a general review of the world economic situation, domestic developments in the United States and the Community and multilateral and bilateral trade issues, where, he said, there were satisfactory aspects but also difficulties concerning current problems or potential problem areas. He thought the discussions on agriculture had been encouraging.

Mr Shultz emphasized the importance of economic and trade relations between the Community and the United States. There were many problems in these relations and always would be, he said, but they had to be seen in perspective. It was important to keep markets open not only for the two sides but also for the rest of the world. At Punta del Este the United States and the Community had worked together and would continue to do so. Growth and open markets were the key elements of economic policy.

Mr Baker concurred, saying that the Community and the United States had to work together to head off protectionism.

Questioned about the concern aroused by the apparent trend towards bilateralism between Japan and the United States, Mr Shultz said that the United States attached importance to making markets more open. When they managed to open up the Japanese market, he went on, it would be open for everyone. In any case, if they were able to boost economic growth, even bilaterally, why not do so?

Mr Delors intervened at this point to say he had welcomed the US-Japan monetary agreement, though at the same time he wished Europe could be a party to it so that the basis of a less unstable system could be formed. 'The Commission', he went on, 'will do its best to convince the Member States that this is in everyone's interest'.

Dispute over the effects of enlargement

2.2.9. Following the breakdown of the GATT talks on the EEC-US dispute over the effects of enlargement, the Council adopted the following conclusions at its meeting on 15 and 16 December:

The Council:

- (i) noted the Commission report on the Community-US talks held from 10 to 14 December and regretted that these talks did not result in an agreed solution to the Article XXIV.6 negotiations;
- (ii) re-emphasized its desire to bring the Article XXIV.6 negotiations to an early and agreed conclusion and endorsed the Commission's proposal to the US that a further month be set aside to achieve this objective;
- (iii) endorsed the Commission's assessment that the present US demands are unjustifiable;
- (iv) invited the Commission to continue the negotiations with a view to reaching a settlement by 31 January 1987 on a realistic and equitable basis taking account of all aspects of the question;
- (v) confirmed that, in the event that unilateral measures are introduced by the US, the Community will take the equivalent action to defend its interests, as agreed at the Council meetings in April¹ and June 1986;²
- (vi) agreed to revert to this question at its meeting on 26 January.

2.2.10. When the negotiations broke down, the President of the United States announced that he would impose by 31 January at the latest positive customs duties of 200% on a range of Community exports worth 400 million ECU, including cognac, gin, certain white wines and cheeses. The Council had already decided at its meeting on 16 and 17 June² that if this should happen the Community would take similar

¹ Bull. EC 4-1986, point 2.2.9.

² Bull. EC 6-1986, point 2.2.11.

action against imports of US agricultural products (wheat, rice, corn gluten feed).

2.2.11. In response to the United States' announcement, Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy, made this statement to the press on 30 December:

'It was with regret that I learned of the retaliatory measures against certain products from the Community which were announced by the US Government in the dispute over the consequences of enlargement ...

For its part, the Community is prepared to retaliate when the American measures come into force. The Council decided on 16 June this year to take similar measures for corn gluten feed, wheat and rice.

I note, however, that the measures announced by the American authorities will only enter into force towards the end of January. We therefore have a month in which to avoid the worst and to reach by negotiation a solution that is politically acceptable and economically justifiable. We have up to now entered into negotiations in good faith. We will continue to do so, in the hope that our American partners will be as determined as ourselves to find a solution to a problem which is harmful to us both.'

Canada

2.2.12. The Council concluded at its 15 and 16 December meeting that little progress had been made on trade issues affecting the Community's exports to Canada. It asked the Commission to pursue these matters both bilaterally and, where appropriate, in GATT.

On the specific issue of the countervailing duties imposed by Canada on Community pasta exports, the Council confirmed the conclusions it adopted in October and again warned that EEC-Canada relations could be seriously affected if the countervailing duties were not withdrawn.¹

Japan

2.2.13. The European Council, meeting in London on 5 and 6 December, called on

Japan to take urgent action to open up its market, reduce trade imbalances and put an end to the discrimination against imported alcoholic beverages (→ point 1.1.5).²

Annual ministerial meeting between the Commission and Japan

2.2.14. The third ministerial meeting between the Commission and Japan took place in Brussels on 11 December.³ The Japanese delegation was headed by Mr Tadashi Kuranari, Minister for Foreign Affairs, and also included Mr Hajime Tamura, Minister for International Trade and Industry, Mr Yataro Mitsubayashi, Minister for Science and Technology, Mr Takao Akabane, Deputy Minister for the Economic Planning Agency, and Mr Toyoo Gyohten, Deputy Minister for Finance. The Commission delegation was led by Mr De Clercq and included Mr Narjes and Lord Cockfield, Vice-Presidents, and Mr Cheyson. A meeting with Mr Delors was held on 12 December, and there were also bilateral contacts. Talks focused on the need for Japan to become better integrated into the world economy and on the possibilities for closer and broader cooperation with the Community. The Commission urged that Japan should speedily and effectively implement the Maekawa report, which suggests structural reform of Japan's domestic economy and further efforts to open up its market. A number of decisions were taken on some individual technical matters: settlement of problems concerning standards (skis and household electrical appliances), negotiation of an agreement on research into nuclear fusion, the setting-up of an industrial cooperation centre and the sending of two missions on standards and certification. It was announced that progress had been made on opening up Japan's financial markets. The Commission put pressure on the Japanese to adopt further specific meas-

¹ Bull. EC 10-1986, point 2.2.13.

² Bull. EC 10-1986, point 2.2.14.

³ Bull. EC 11-1985, point 2.3.14.

ures without delay, especially as regards alcoholic beverages.¹

The responsibilities of both parties in the sphere of international cooperation, especially as regards the developing countries' debt problem, were also stressed.

After the meeting Mr De Clercq and Lord Cockfield, representing the Commission, and Mr Kuranari, Mr Tamura and Mr Mitsubayashi, for the Japanese delegation, held a press conference.

Mr De Clercq said that while both sides had made an effort, the Community was still concerned about the lack of any true balance of advantages between the Community and Japan. Proof of this was the fact that the Community's deficit with Japan was still growing, whatever the reference currency used to measure it. Japanese exports to the Community were rising twice as fast as Japanese imports from the Community, even when measured in yen.

Mr De Clercq regretted that no concrete solution had been found to the problem of wines and spirits. Japanese regulations were protectionist and discriminatory, he said. The Community would not be satisfied with partial solutions. It wanted a firm undertaking from Japan that it would put a complete stop to these practices.

Mr De Clercq did find grounds for satisfaction in the adoption of some specific measures.

Lord Cockfield indicated that progress had been made on financial matters. Mr Kuranari and Mr Tamura also referred to these topics. They thought the discussions had been frank.

In the talks on trade imbalances, the Japanese side had indicated Japan's readiness to make sacrifices, even painful ones. Japan would restructure its economy, the Ministers said, and a programme to make severe cuts in coal production was cited as an example. Japan desired greater cooperation with Europe, one of the major economic and cultural centres of the world.

Japan's trade with the United States was bigger than its trade with Europe (by a factor of three). There were 30 000 Japanese businessmen in Europe and only 3 000 foreign businessmen in Japan. This had to be remedied. The Japanese promised serious discussions on the wines and spirits problem and expressed willingness to bring about more balanced trade. The Airbus purchases were cited as a favourable omen.

European Free Trade Association

Joint Committee

2.2.15. In December the Community held its customary annual Joint Committee meetings with each of the EFTA countries—Austria, Finland, Iceland, Norway, Sweden and Switzerland.

Generally, the talks concerned the state of the world economy, preparations for the new round of GATT trade negotiations and trade relations with the main international trading partners. On the question of EEC-EFTA cooperation, the EFTA delegations reiterated their authorities' willingness to work in parallel with the Community to create a European 'economic space', though there were variations of emphasis in their approach, reflecting the particular interests of their respective countries.

A number of specific bilateral problems were raised, and arrangements were made to examine them further and find appropriate solutions.

Adaptation of Community-EFTA Agreements as a consequence of enlargement

2.2.16. The Additional Protocols to the Agreements with the EFTA countries to take account of enlargement, signed in July 1986,² all came into force by 1 January

¹ Bull. EC 9-1986, point 2.2.14; Bull. EC 10-1986, point 2.2.14.

² Bull. EC 7/8-1986, point 2.2.14.

1987, with the exception of the Protocols to the ECSC-EFTA Agreements (pending ratification by the Member States) (→ point 2.1.62) and the Protocol to the EEC-Norway Agreement (which enters into force on 1 March 1987). A notice giving the date of entry into force for each EFTA country was published in the *Official Journal*.¹

Finland

2.2.17. An Agreement in the form of an exchange of letters between the Community and Finland concerning certain wines and spirits was signed on 18 December.

Relations with other countries and regions

Mediterranean countries²

Mediterranean policy of the enlarged Community

2.2.18. In December the Commission initialled protocols revising the trade arrangements with Lebanon, Tunisia, Egypt, Turkey and Israel, under the negotiating directives given to it by the Council on 25 November 1985³ and supplemented on 21 October this year.⁴

Turkey

2.2.19. On 11 December Parliament adopted a resolution on relations between the EEC and Turkey (→ point 2.4.21).⁵

Cyprus

2.2.20. The 11th meeting of the EEC-Cyprus Association Council was held on 16 December, at ministerial level. The Community delegation was led by Sir Geoffrey Howe, President of the Council, and the Cypriot delegation by Mr George Iacovou,

Minister for Foreign Affairs. Mr Claude Cheysson represented the Commission as the Member with special responsibility for Mediterranean policy. The main item for discussion was the state of trade and financial cooperation since the last meeting in December 1984.⁶ As regards the passage to the second stage of the Agreement, the Community delegation reminded the Cypriot representatives that at the last round of negotiations on 17 November a new offer had been made by the Community. On this basis it was hoped that the negotiations could be concluded in the very near future.

Yugoslavia

2.2.21. On 2 December a second round of negotiations⁷ was held with Yugoslavia on the trade arrangements provided for in the Cooperation Agreement,⁸ but no agreement was reached.

Tunisia

2.2.22. Mr Ismail Khelil, Tunisia's Planning and Finance Minister, visited the Commission on 19 December. He had discussions with Mr Cheysson and Mr Matutes, the Members with special responsibility for Mediterranean policy and for small business respectively, and also met Mr Delors. The purpose of his visit was to inform the Commission of the structural adjustment policy for the Tunisian economy, which has been in operation for a short time, and also of the priorities of the VIIth development plan (1987-91). Mr Khelil also spoke of Tunisia's interest in developing industrial cooperation with the

¹ OJ L 1, 3.1.1987.

² For the Mediterranean financial protocols, see point 2.2.40.

³ Bull. EC 11-1985, point 2.3.16.

⁴ Bull. EC 10-1986, point 2.2.18.

⁵ OJ C 7, 12. 1. 1987.

⁶ Bull. EC 12-1984, point 2.2.23.

⁷ Bull. EC 1-1986, point 2.2.21.

⁸ OJ L 41, 14. 2. 1983; Seventeenth General Report, points 686 and 687.

Community. The next financial protocol and the main items appearing in it were also discussed.

Latin America¹

2.2.23. The Commission financed and organized together with the Secretariat of the Central American Common Market (Sieca) a regional seminar on the theme 'Exporting to Western Europe' which was held in Guatemala City from 3 to 5 December. The seminar brought together representatives from the five Central American Common Market countries,² Panama and the Dominican Republic, and dealt with the respective GSP schemes, rules of origin and trade promotion programmes of the European Communities and EFTA. These main subjects were presented by a team of experts from the Commission and the EFTA donor countries.

The seminar attracted 55 high-ranking participants, both government officials concerned with trade policy and GSP administration and representatives of national chambers of commerce, export associations, cooperatives, banks and so on.

2.2.24. The team of Commission experts subsequently undertook two national seminars on the GSP at the invitation of the Government of Mexico, which were held in Mexico City (9 and 10 December) and in Guadalajara (11 December), each seminar attracting about 75 participants from both government and private sectors.

Brazil

2.2.25. Mr Cheysson, Member of the Commission with special responsibility for North-South relations, visited Brazil from 27 November to 6 December at the invitation of the Brazilian authorities and the Brazilian National Confederation of Industry on the occasion of the 22nd congress of the Latin American Industrialists Association. The aim of the visit was to have discussions with the Brazilian authorities on

international economic problems and closer cooperation between the EEC and Brazil, particularly in the field of industrial cooperation, and also to discuss with industrialists from various states in Brazil ways of encouraging cooperation between medium-sized European and Brazilian firms with a view to increasing trade.

Mr Cheysson was granted an audience with President Sarney and had talks with the Ministers for External Relations, Finance, Industry, Planning, Culture and Communications. The cabinet ministers, like the industrialists from the states of Rio de Janeiro, São Paulo, Rio Grande do Sul and Bahia, welcomed the Commission's new approach to industrial cooperation³ as both positive and promising.

State-trading countries

Romania

2.2.26. On 15 December the Council authorized the Commission to negotiate a trade and commercial and economic cooperation agreement with Romania⁴ to replace on a broader basis the two existing agreements signed in 1980 (Agreement setting up the Joint Committee and Agreement on trade in industrial products).⁵ The new agreement will apply to agricultural as well as industrial products.

Development

North-South relations

Cooperation in international forums

Development Assistance Committee

2.2.27. The OECD Development Assistance Committee held its annual high-level

¹ For financial and technical cooperation with Latin America, see point 2.2.41.

² Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

³ Bull. EC 11-1986, point 1.3.1 *et seq.*

⁴ Bull. EC 7/8-1986, point 2.2.30.

⁵ OJ L 352, 29. 12. 1980; Fourteenth General Report, point 705.

meeting in Paris on 1 and 2 December. It approved a set of guiding principles to be used in tracing the broad lines of a collective effort to improve the coordination of aid among donors and with recipient countries.

ACP-EEC Convention

Transitional measures

2.2.28. On 22 December the Council adopted, on proposals from the Commission,¹ a Regulation and a Decision extending the provisional arrangements for trade between Spain and Portugal and the ACP States and OCTs respectively.² These provisional arrangements had been adopted, pending the entry into force of the protocol of accession to Lomé III, for the period 1 March to 31 December 1986.³ On 22 December the Council extended the arrangements beyond the latter date.

Generalized tariff preferences⁴

1987 scheme

2.2.29. On 16 December the Council formally adopted legislation concerning the implementation of the generalized tariff preferences scheme for 1987,⁵ which it had approved in substance in November.⁶ Nicaragua was included in the list of beneficiary countries for textiles covered by the Multifibre Arrangement, having given the necessary undertakings required of countries that have not concluded a bilateral agreement with the Community on trade in textile products.

Commodities and world agreements

2.2.30. The Council adopted a Decision concerning the conclusion of the International Agreement on Olive Oil and Table Olives, 1986.⁷

Campaign against hunger in the world

Food aid

Reform of food aid policy and management

2.2.31. A conciliation meeting was held between the Council and a Parliament delegation on the new Regulation on food aid policy and management.⁸

The meeting enabled both parties to bring their positions materially closer together and to bring the conciliation to a successful conclusion. It was agreed that the Commission would decide on the total quantities of food aid after obtaining the opinion of the Food Aid Committee. As regards the nature of that Committee, the Council agreed to review the matter before the end of 1987 in the light of the decision to be taken on the Commission's management powers.⁹ Accordingly, the Regulation is to be valid for one year in the first instance. It was formally adopted on 22 December.¹⁰

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2.2.32. On 10 December the Commission decided, with the endorsement of the Food Aid Committee, on the following food aid operations to be financed from the 1986 budget:

¹ COM(86) 713 final; COM(86) 716 final.

² OJ L 380, 31.12.1986.

³ OJ L 63, 5. 3. 1986; Bull. EC 2-1986, point 2.2.26; Bull. EC 4-1986, point 2.2.57.

⁴ For the information seminars on the GSP organized by the Commission in Mexico, see points 2.2.23 and 2.2.24.

⁵ OJ L 373, 31.12.1986.

⁶ Bull. EC 11-1986, point 2.2.30.

⁷ Bull. EC 11-1986, point 2.2.33.

⁸ Bull. EC 11-1986, point 2.2.35.

⁹ OJ C 70, 25. 3. 1986; Bull. EC 2-1986, point 2.4.14.

¹⁰ OJ L 370, 30.12.1986.

Table 20 — Food aid operations

	Cereals	Non-vitamin-enriched milk powder	Vitamin-enriched milk powder	Butter/oil	Sugar	Vegetable oil	Other
Bolivia	12 000	—	1 000	200	—	500	1 000 (beans)
Ecuador	—	—	200	—	—	—	—
Indonesia	—	800	—	300	—	—	—
Mali	—	500	—	200	—	—	—
Nepal	10 000	—	—	—	—	—	—
Niger	—	200	—	—	—	—	—
Pakistan	—	—	600	—	—	500	—
Tanzania	10 000	1 200	—	340	—	—	—
Zambia	—	Alternative operation	—	—	—	—	—
UNHCR	60 000	—	4 000	2 000	—	—	—
Total	92 000	8 500	—	3 040	—	1 000	1 000

Locust and grasshopper control in Africa

2.2.33. The total amount of aid for locust and grasshopper control was approximately 48.5 million ECU in 1986.¹ The Community and its Member States contributed a large amount of this, namely 22.6 million ECU. At a meeting in Rome on 18 and 19 December a new plan of action was adopted for 1987.

*Emergency aid***Lebanon**

2.2.34. In view of the consequences of the renewed outbreak of fighting in Lebanon, the Commission decided to allocate 500 000 ECU in emergency aid, to be channelled through the International Committee of the Red Cross.

2.2.34a. On 11 December Parliament adopted a resolution on the situation in Lebanon (→ point 2.4.21).²

Self-sufficiency aid for refugee groups

2.2.35. In December the Commission approved aid totalling 675 000 ECU, under

Article 936 of the budget, for a health programme for Afghan refugees in two camps in Baluchistan, Pakistan.

Stabex**LLDCs not party to the Lomé Convention**

2.2.36. On 12 December Parliament delivered its opinion² on the Commission's proposal to the Council for a Regulation setting up a system of compensation for loss of export earnings for least-developed countries not party to the Lomé Convention.³ It welcomed the Commission's initiative and saw the setting-up of the Stabex system as a step by the Community towards implementing the substantial new programme of action adopted at the Paris Conference on LLDCs in 1981.⁴ It thought

¹ Bull. EC 7/8-1986, point 2.2.38; Bull. EC 9-1986, point 2.2.35.

² OJ C 7, 12.1.1987.

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

⁴ Bull. EC 9-1981, point 2.2.10; Bull. EC 10-1985, point 2.3.31.

that setting up such a system demonstrated the Community's sense of responsibility for the poorest developing countries, and it appreciated the fact that the new Stabex should help improve living standards. Parliament was concerned that the system should not fail because of a lack of financial resources and thought that the proposed 50 million ECU to cover five years should be increased in the annual budget if necessary. It was strongly in favour of the Commission's proposal to present an annual report on the operation of the new Stabex to the Council and Parliament. Lastly, it approved the Commission's proposal as a whole, regarding it as of great political importance, and recommended that the Regulation enter into force as soon as possible.

Advances

2.2.37. In December the Commission approved a Stabex advance of 5 million ECU for Mali and another of 6 million ECU for Chad, concerning cotton, not carded or combed, in respect of application year 1986.

Transfers

2.2.38. In December the Commission approved eight Stabex transfers, thus closing the 1985 application year, in respect of the following countries: Benin (3 454 606 ECU for palm kernel oil), Guinea-Bissau (225 603 ECU for cotton), Sao Tome and Principe (1 626 901 ECU for cocoa), Tanzania (1 114 311 ECU for cotton), Tonga (109 985 ECU for vanilla), Côte d'Ivoire (4 907 781 ECU for wood in the rough) and Tanzania (3 472 194 ECU for raw sisal).

Financial and technical cooperation

ACP States

2.2.39. In December the Commission allocated resources from the fourth, fifth and sixth EDFs totalling 55 650 000 ECU to finance projects, programmes and emergency aid operations which it administers (Table 21).

Table 21 — *Financing of operations under the fourth, fifth and sixth EDFs*

	Project	Grants	Loans
<i>million ECU</i>			
<i>Rural production</i>			
All ACP States	Budget of the Technical Centre for Agricultural and Rural Cooperation	4.297	
Antigua and Barbuda	Livestock production	1.690	0.213
Malawi	Agriculture	4.620	
Saint Lucia	Agriculture	1.400	
Madagascar	Hydro-agricultural development	8.350	
Sao Tome and Principe	Integrated projects (primarily agricultural)	4.000	
Indian Ocean countries (Comoros, Madagascar, Mauritius and Seychelles)	Fisheries	6.300	
Somalia	Fisheries	3.000	
<i>Economic infrastructure</i>			
Somalia	Transport and communications	3.000	
Somalia	Roads and bridges	5.000	

Table 21 (continued)

		<i>million ECU</i>	
	Project	Grants	Loans
<i>Social development</i>			
Botswana	Village water-engineering	0.425	1.875
Mali	Health infrastructure	0.880	
Rwanda	Water supply	1.500	
Zambia	Vocational training	3.500	
<i>Trade promotion</i>			
Indian Ocean countries (Comoros, Madagascar, Mauritius and Seychelles)	Marketing	0.410	2.790
<i>Other</i>			
All ACP States and OCTs	Information — documentation <i>The Courier</i>	1.750	
<i>Emergency aid</i>			
Malawi	Mozambican refugees	0.650	
Total		50.772	4.878

Southern and Eastern Mediterranean countries

2.2.40. On 22 December the Council adopted a Regulation¹ concerning the application of the Protocols on financial and technical cooperation concluded between the Community and Algeria, Morocco, Tunisia, Egypt, Lebanon, Jordan, Syria, Malta and Cyprus.² This Regulation lays down the common implementing rules and detailed procedures for the administration of the Community's financial cooperation with the Mediterranean partner countries. To this end, two committees have been set up, one for the Commission and the other for the EIB. These are the provisions, due to enter into force on 1 January 1987, that will regulate the administration of the Community's financial cooperation with the Mediterranean countries on investment projects submitted by the Commission or the EIB for the economic development of those countries.

Latin American and Asian developing countries

2.2.41. With the endorsement of the Committee on Aid to Non-associated Developing Countries, the Commission decided in December on the following financing operations, the cost of which is to be charged to Article 930 of the budget:

ASEAN: industrial standards and quality control programme (autonomous project — total cost 5 million ECU, Community contribution 5 million ECU);

ASEAN: regional aquaculture development and coordination programme (autonomous project — total cost 9.32 million ECU, Community contribution 6.77 million ECU);

India: cooperative rural storage, Bihar (autonomous project — total cost 33.3

¹ OJ L 370, 30.12.1986.

² OJ C 99, 22.4.1977; OJ C 131, 5.6.1978; Bull. EC 6-1985, point 2.3.27.

million ECU, Community contribution 21.19 million ECU);

China: pilot project to increase the output of fish farms (autonomous project — total cost 3.3 million ECU, Community contribution 2.1 million ECU);

China: study on rural water supply and institutional consolidation (autonomous project — total cost 3.08 million ECU, Community contribution 1.10 million ECU);

Andean Pact (Bolivia, Colombia, Ecuador, Peru, Venezuela): applied agricultural research to help the Andean Pact countries: CIMMYT, phase II (autonomous project — total cost 3 million ECU, Community contribution 3 million ECU).

Cooperation via non-governmental organizations

2.2.42. In the period 1 January to 30 December a total of 40.8 million ECU was committed by the Commission for the co-financing of 295 projects presented by 115 NGOs.

The Commission also contributed 4 516 866 ECU to 83 campaigns to increase European public awareness of development issues.

Institutions

ACP States

Meeting of ACP and EEC representatives of economic and social sectors under the auspices of the ACP-EEC Joint Assembly

2.2.43. Representatives of economic and social sectors in the Community and the ACP States met for the 10th time in Brussels, on 4 and 5 December, on the initiative of the ACP-EEC Joint Assembly (in accordance with Article 25 of the third Lomé Convention).¹ The general session was pre-

ceded by separate meetings for the various economic and social categories — trade unions, farming groups and associations, cooperatives, etc.

The main concern of the participants, besides establishing useful contacts, was to decide the manner in which they could make a concrete contribution to the implementation of ACP-EEC cooperation. This was one of the principal topics in the opening addresses by the Co-Chairmen of the Joint Assembly (Mr Bersani and Mr Pworoha), the Chairman of the Economic and Social Committee (Mr Margot), the President of the Council of ACP Ministers (Mr Mersie, Ethiopia) and the Commission's Director-General for Development (Mr Frisch). The latter also described the new policy approach under Lomé III and, from this specific standpoint, the manner in which the aid programming exercise had been conducted.

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Visits

2.2.44. Mr Aranda da Silva, Mozambique's Trade Minister, visited the Commission from 1 to 3 December. After meetings with Mr Natali, Vice-President of the Commission with special responsibility for cooperation and development, and Mr Cardoso e Cunha, Member of the Commission with special responsibility for fisheries policy, the Minister, in his capacity as Lomé III national authorizing officer, presented Commission officials with a broad outline of an 'action scheme' for rapid implementation of the indicative programme.

2.2.45. Angola's national authorizing officer, Mr Carlos Fernandes, State Secretary for Cooperation, also visited the Commission on 3 December.

During his visit, Mr Fernandes discussed the start-up of cooperation with Angola following the signing of the national indica-

¹ Bull. EC 9-1985, point 2.3.32.

tive programme last October. He also held working meetings with Commission officials.

International organizations and conferences

United Nations

General Assembly

41st session

2.2.46. The 41st session of the General Assembly¹ completed its work in December with the resolution of the organization's financial crisis; progress had been painstakingly slow over the session as the Assembly discussed the various recommendations made by the expert group for streamlining the organization. The continued existence of relief agencies such as the Office to the United Nations Disaster Relief Coordinator was settled, but others, such as the Kampuchean relief operation, were merged with other agencies.

A number of resolutions were adopted by the Assembly, including those concerning a Conference on the Peaceful Uses of Nuclear Energy, New Caledonia and the US trade embargo against Nicaragua. There was also a renewed call for the setting up of a preparatory committee for an International Peace Conference on the Middle East.

The Security Council also met and dealt with a number of sensitive issues such as Cyprus, Central America and the Arab occupied territories.

Economic and Social Council

Economic Commission for Europe

2.2.47. The Committee on the Development of Trade held its 35th session² in

Geneva from 1 to 5 December. Discussions in plenary took place in a good working atmosphere, with delegations reviewing activities of the Committee and its Secretariat over the past year and suggesting priorities for future work.

The Community and other Western delegations regretted that the continuously increasing demands from East European countries for countertrade in all its forms are not being given sufficient attention in the Committee's work programme. Given the continuing scarcity of published economic and commercial information on many East European countries, the Community urged the Committee to give higher priority to work on the subject.

While the Eastern side finally agreed to speed up work on some aspects of economic and commercial information, the Soviet Union and other delegations from Eastern Europe refused to ask the Secretariat to analyse more thoroughly the long-term economic consequences of countertrade.

East European delegations stressed the need for a wide range of activities concerning new forms of East-West industrial cooperation, in particular in the area of joint ventures based in Eastern Europe. The Committee agreed to ask the Secretariat for a study on economic, financial and practical aspects of East-West joint ventures.

General Agreement on Tariffs and Trade

2.2.48. On 23 December the Commission transmitted to the Council a draft Decision concerning the conclusion of the Protocol of Accession of Mexico to the General Agreement on Tariffs and Trade.³

¹ Bull. EC 9-1986, point 2.2.44; Bull. EC 11-1986, point 2.2.51.

² Bull. EC 12-1985, point 2.3.61.

³ COM(86) 719 final.

Conference on Security and Cooperation in Europe

2.2.49. The first part of the Vienna CSCE follow-up meeting closed on 19 December.¹ Work will be resumed on 26 January 1987. December was devoted to a review by the 35 participating countries of each party's implementation of the Helsinki Final Act (1975) and the Madrid Final Document (1983).

The main concerns were the continuation of negotiations on security, and the issue of human rights and personal contacts. Some progress was recorded since Madrid on cooperation in economic, scientific, technological and environmental matters, but not enough. The Commission was able to point to continuing problems in trade between the Community and East European countries.

A number of East European countries put forward preliminary proposals for CSCE

meetings in the aftermath of Vienna: an economic forum to be held in Prague, a conference in Moscow on humanitarian cooperation, a follow-up to the Stockholm Conference on disarmament in Europe, an ecological forum and a symposium on cultural heritage to take place in Cracow.

Diplomatic relations

2.2.50. The President of the Council and the President of the Commission received HE Mr Franklin Juliaan Leeftang, Head of Mission of the Republic of Suriname to the European Communities, who presented his letters of credence, to take effect on 18 December.

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

3. Financing Community activities

Budgets

General budget

1987 budget

Second reading by Parliament

2.3.1. At its December part-session Parliament gave a second reading to the draft general budget for 1987, amended by the Council on 26 and 27 November.²

The Triologue met for the third time on 10 December to discuss the classification of expenditure as compulsory or non-compulsory.

At a meeting on 10 and 11 December during Parliament's part-session, the Council refused to establish a new maximum rate of

increase for non-compulsory expenditure. On 11 December Parliament then voted in favour of an increase of 186.3 million ECU in appropriations for commitments and 151.1 million ECU in appropriations for payments in relation to the draft budget which the Council had adopted on second reading. According to the Council's classification of compulsory and non-compulsory expenditure, the maximum rate of increase had been reached in appropriations for commitments and Parliament's margin of manoeuvre was limited to 62 million ECU in appropriations for payments.

The draft budget voted by Parliament totals 37 601 million ECU in appropriations for commitments and 36 407 million ECU in appropriations for payments.

² Bull. EC 11-1986, point 2.3.2.

In the resolution passed after the vote¹ the House states that the appropriations earmarked for agriculture will be wholly inadequate to finance EAGGF guarantee expenditure in 1987: it criticizes the Council for its refusal to face up to the problem of the shortfall in revenue in 1986, notes that the accumulated deficit for 1987 is likely to be 4 000 million ECU—virtually all the additional own resources which would be yielded by a rise in the VAT ceiling from 1.4% to 1.6%—points out that even with an increase in own resources the Community budget will still be carrying the heavy burden resulting from the failure to provide for the depreciation of agricultural stocks, whose real value is barely more than the annual cost of storage, reaffirms the need to reform the CAP and reduce milk quotas, with adequate compensation to farmers, and states that it will refuse any measures designed to divert non-agricultural resources to finance a deficit in the EAGGF Guarantee Section.

The President of the Council stated that in the absence of an agreement between the two arms of the budgetary authority to raise the maximum rate of increase for non-compulsory expenditure, the Council would consider that the budgetary procedure for 1978 had not been completed.

On behalf of the Commission, Mr Henning Christophersen, Vice-President with special responsibility for budgets, regretted that no agreement had been reached between the two arms of the budgetary authority and called for application of the provisions of the Joint Declaration of 30 June 1982² which state that, in a situation of this type, the budgetary authority should continue its efforts to reach agreement so that the budget can be adopted by the end of January. The Court of Justice³ stated in its judgment of 3 July 1986 that the budgetary procedure must continue until the two arms of the budgetary authority reach agreement on a new maximum rate of increase for non-compulsory expenditure.

Table 22 compares the draft voted by Parliament on second reading on 11 December

and the draft established by the Council on 27 November.

Own resources

2.3.2. On 8 December the Council agreed on a common position concerning the proposed amendments to Regulation (EEC, Euratom, ECSC) No 2891/77 implementing the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources.⁴ This common position is on the Commission's proposal of July 1982,⁵ as amended for the first time in May 1983⁶ after Parliament had delivered its opinion. The second⁷ and third⁸ sets of amendments to the initial proposal are still being discussed. The common position was sent to Parliament under the provisions governing the conciliation procedure.

Financial Regulations

2.3.3. On 11 December the Commission adopted the Regulation⁹ laying down detailed rules for the implementation of certain provisions of the Financial Regulation of 21 December 1977.¹⁰ The Financial Regulation of 25 April 1973,¹¹ as amended by that of 1977, does not cover all points concerning the execution of the budget but contains a number of provisions referring to a supplementary regulation to be adopted by the Commission to govern certain detailed aspects affecting everyday implementation of the budget, in particular the delegation of powers, the rules applicable to Financial Control, the establishment of the various instruments of budget execution, supporting documents, imprests, the func-

¹ OJ C 7, 12.1.1987.

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

³ Bull. 7/8-1986, point 1.1.1.

⁴ OJ L 336, 27.12.1977.

⁵ OJ C 231, 4.9.1982; Bull. EC 7/8-1982, point 2.3.5.

⁶ OJ C 146, 4.6.1983; Bull. EC 5-1983, point 2.3.20.

⁷ OJ C 303, 10.11.1983; Bull. EC 10-1983, point 2.3.8.

⁸ OJ C 219, 21.8.1984; Bull. EC 7/8-1984, point 2.3.12.

⁹ OJ L 360, 19.12.1986.

¹⁰ OJ L 356, 31.12.1977.

¹¹ OJ L 116, 1.5.1973.

Table 22 — Expenditure side of Community budget, by sector

	Council draft second reading (27 November 1986)				Parliament draft second reading Vote (11 December 1986)			
	Commitments		Payments		Commitments		Payments	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Agricultural market guarantees								
EAGGF Guarantee (Ch. 10 to 29)	22 960 800 000	61.38	22 960 800 000	63.34	22 960 800 000	61.06	22 960 800 000	63.07
Total 1	22 960 800 000	61.38	22 960 800 000	63.34	22 960 800 000	61.06	22 960 800 000	63.07
2. Structural policies								
EAGGF Guidance (Ch. 30 to 33)	1 017 154 161	2.72	940 125 343	2.59	1 017 154 161	2.71	940 125 343	2.58
Specific agricultural measures (Ch. 38)	59 221 770	0.16	56 074 770	0.15	59 221 770	0.16	56 074 770	0.15
Fisheries (Ch. 40 to 47)	258 293 678	0.69	217 293 678	0.60	258 293 678	0.69	217 293 678	0.60
Regional Fund (Ch. 50 and 51)	3 341 932 192	8.93	2 497 294 757	6.89	3 341 932 192	8.89	2 497 294 757	6.86
Mediterranean programmes (Ch. 55)	187 763 518	0.50	176 628 703	0.48	189 763 518	0.50	177 628 703	0.49
Miscellaneous—regional (Ch. 54 and 57)	26 296 642	0.07	32 203 068	0.09	30 296 642	0.08	36 203 068	0.10
Transport (Ch. 58)	11 908 160	0.03	25 769 574	0.07	13 206 160	0.04	27 067 574	0.07
Social Fund (Ch. 60 and 61)	2 602 489 678	6.96	2 542 255 649	7.01	2 602 489 678	6.92	2 542 255 649	6.98
Miscellaneous—social (Ch. 64, 65 and 69)	67 969 061	0.18	65 873 868	0.18	69 874 220	0.19	68 140 540	0.19
Education and culture (Ch. 63 and 67)	74 147 988	0.20	74 147 988	0.20	77 245 632	0.21	77 245 632	0.21
Environment and consumers (Ch. 66)	26 349 419	0.07	26 965 499	0.07	32 252 508	0.09	31 857 508	0.09
Total 2	7 673 526 267	20.51	6 653 632 897	18.36	7 691 730 159	20.46	6 671 187 222	18.32
3. Research, energy and industry								
Energy policy (Ch. 70 and 71)	121 302 644	0.32	85 147 854	0.23	121 802 644	0.32	85 647 854	0.24
Research and investment (Ch. 72 and 73)	1 020 116 875	2.73	763 792 673	2.11	1 040 216 875	2.77	773 982 673	2.13
Information and innovation (Ch. 75)	15 515 196	0.04	19 199 548	0.05	18 515 196	0.05	20 699 548	0.06
Industry and internal market (Ch. 76 to 78)	75 233 127	0.20	69 703 385	0.19	84 490 000	0.22	76 800 000	0.21
Financial engineering (Ch. 79)	token entry	0	token entry	0	2 000 000	0.01	500 000	0.00
Total 3	1 232 167 842	3.29	937 843 460	2.59	1 267 024 715	3.37	957 630 075	2.63

	Council draft second reading (27 November 1986)				Parliament draft second reading Vote (11 December 1986)			
	Commitments		Payments		Commitments		Payments	
	Amount	%	Amount	%	Amount	%	Amount	%
4. Repayments and reserve								
Repayments to Member States (Ch. 80)	1 305 860 000	3.49	1 305 860 000	3.60	1 305 860 000	3.47	1 305 860 000	3.59
Other repayments (Ch. 86 and 87)	1 506 626 160	4.03	1 506 626 160	4.16	1 515 333 217	4.03	1 515 333 217	4.16
Miscellaneous—guarantees (Ch. 83 and 85)	token entry	0	token entry	0	token entry	0	token entry	0
Reserve (Ch. 101)	4 941 145	0.01	4 933 391	0.01	4 941 145	0.01	4 933 391	0.01
Total 4	2 817 427 305	7.53	2 817 419 551	7.77	2 826 134 362	7.52	2 826 126 608	7.76
5. Development cooperation and non-member countries								
EDF (Ch. 90 and 91)	—	0	—	0	token entry	0	token entry	0
Food aid (Ch. 92)	455 864 916	1.22	538 753 925	1.49	511 500 000	1.36	597 600 000	1.64
Non-ass. dev. countries in Latin America and Asia (Ch. 93)	196 205 894	0.52	270 000 000	0.74	219 675 894	0.58	284 020 000	0.78
Specific and exceptional measures (Ch. 94 and 95)	105 082 237	0.28	92 888 268	0.26	149 732 237	0.40	124 232 237	0.34
Cooperation with Mediterranean countries (Ch. 96)	143 671 667	0.38	154 986 678	0.43	143 671 667	0.38	154 986 678	0.43
Miscellaneous—cooperation (Ch. 97, 98 and 99)	68 080 789	0.18	68 080 789	0.19	73 080 789	0.19	73 080 789	0.20
Total 5	968 905 503	2.59	1 124 709 660	3.10	1 097 660 587	2.92	1 233 919 704	3.39
6. Staff and administration								
Section III A	1 133 059 378	3.03	1 133 059 378	3.13	1 137 040 597	3.02	1 137 040 597	3.12
Sections I, II, IV and V	620 187 710	1.66	620 187 710	1.71	620 744 584	1.65	620 744 584	1.70
Total 6	1 753 247 088	4.69	1 753 247 088	4.84	1 757 785 181	4.67	1 757 785 181	4.83
Grand total	37 406 074 005	100	36 247 652 656	100	37 601 135 004	100	36 407 448 790	100

tioning of the Advisory Committee on Procurement and Contracts, inventories, the chart of accounts and the insurance arrangements for accounting officers.

The Regulation laying down these implementing rules was adopted by the Commission on 30 June 1975.¹ However, it needed to be updated in line with the various implications of the general Financial Regulation of 1977 and the requirements resulting from changing circumstances.

In 1980 the Commission therefore presented a draft updated version to all the other institutions for their opinions.² However, this consultation took a long time, especially in the case of Parliament, which initially felt that revision of the general Financial Regulation should first be completed. Since this objective has still not been achieved, Parliament gave its opinion on 10 December 1985,³ followed by the Economic and Social Committee on 18 December 1985,⁴ the Court of Auditors on 19 December 1985 and the Council on 18 March 1986.

On the basis of all these opinions the Commission was able to adopt the implementing rules on 11 December. They came into force on 1 January 1987.

ECSC operating budget

2.3.4. After taking note of Parliament's opinion and consulting the ECSC Consultative Committee, the Commission decided on 23 December to maintain a 0.31% levy rate on ECSC products for 1987.⁵

Financial operations

ECSC

2.3.5. In December the Commission made a number of private placings in marks, lire and yen for the equivalent of 194.7 million ECU, and a 100 million ECU 10-year public issue with an interest rate of 8% and an issue price of 101.25%.

Loans paid out

2.3.6. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission made the following loans in December, totalling 489.54 million ECU.

Industrial loans

2.3.7. Industrial loans (Article 54) paid out during the month amounted to 365.82 million ECU. They were allocated to Germany, Italy and the Netherlands for the steel industry and for rescheduling.

Conversion loans

2.3.8. Conversion loans (Article 56) totalling 15.59 million ECU were granted as multiregional loans for small businesses in Luxembourg and Italy.

Subsidized housing

2.3.9. Loans for subsidized housing for ECSC workers totalled 0.11 million ECU. They were granted in Germany and Italy.

Euratom

Loans raised

2.3.10. The Commission conducted the following operations:

- (i) a 5 000 million yen 9-year bank loan issued at par with an interest rate of 6.2%;
- (ii) a USD 247 million 10-year public issue with an interest rate of 7.75% and an issue price of 101 3/8%;
- (iii) a BFR 6.5 million 10-year public issue with an interest rate of 7.75% and an issue price of 99%.

¹ OJ L 170, 1.7.1975.

² Bull. EC 7/8-1980, point 2.3.77, Bull. EC 7/8-1985, point 2.4.6.

³ OJ C 352, 31.12.1985; Bull. EC 12-1985, point 2.4.3.

⁴ OJ C 354, 31.12.1985; Bull. EC 12-1985, point 2.5.29.

⁵ OJ L 365, 24.12.1986.

4. Political and institutional matters

European political cooperation

2.4.1. At its meeting in London on 5 and 6 December the European Council did not adopt any conclusions on matters of political cooperation. At her press conference, the British Prime Minister stated that the Heads of State or Government had discussed East-West relations, southern Africa and the Middle East.

The European Council adopted a statement on Afghanistan (→ point 1.1.20).

2.4.2. On 12 December the Presidency issued the following statement by the Twelve on the death of Anatoly Marchenko:

'The Twelve express their sadness and concern at the tragic death of Anatoly Marchenko in Chistopol prison in the USSR. They offer their sympathy to the widow of this brave man.

Marchenko had spent most of the last 30 years in prison or camp, in suffering and hardship. Despite poor health, he was sentenced in 1981 to a further 10 years in a labour camp. His life was an example of unquestionable spirit and courage.

At a time when the CSCE follow-up meeting is taking place in Vienna, the Twelve recall that Marchenko was a member of the group of courageous Soviet citizens set up to monitor their Government's compliance with the Helsinki Final Act. They also draw attention to the fact that other members of this group are still in prison, and call upon the Soviet Government to honour its Helsinki commitments in the field of human rights and fundamental freedoms.'

2.4.3. In Pretoria on 19 December the UK Ambassador to the Republic of South Africa handed Mr Kobus Meiring, the South African Deputy Minister for Foreign Affairs, a statement by the Twelve on the violation of human rights in South Africa. The statement, which was published, reads as follows:

'The Twelve are gravely concerned at growing evidence of serious abuses of human rights in South Africa. In particular they deplore:

(i) the apparent continuation of forced removals from black townships: such action is contrary to

assurances previously given by the South African Government that such removals had stopped;

(ii) the continuing and indefinite detention without charge of large numbers of people and especially of many young people and children;

(iii) the imposition of Draconian new restrictions on press freedom which run counter to the principles of democracy and freedom of information.

Taken together these various infringements and abuses of human rights bring into question the South African Government's claim to be committed to Western values.'

2.4.4. On 28 December the Presidency issued the following statement on the deportation of Mr Akram Haniyya:

'The Twelve deplore the decision of the Israeli authorities to deport Mr Akram Haniyya. They recall their long-standing opposition to such actions, which they regard as contrary to international law.'

2.4.5. At its December part-session Parliament adopted several resolutions on political cooperation and on the protection of human rights (→ point 2.4.22).¹

European policy and relations between the institutions

European policy

Ratification of the Single European Act

2.4.6. In November and December the Single European Act² was approved by the Parliaments of the following Member States:

Federal Republic of Germany: the Bundestag on 4 December and the Bundesrat on 19 December;

France: the National Assembly on 20 December and the Senate on 10 December;

¹ OJ C 7, 12.1.1987.

² Supplement 2/86 — Bull. EC.

Ireland: the Daíl on 12 December and the Senate on 17 December;

Italy: the Chamber of Deputies on 17 December (the Senate had already given its approval on 1 October);

Netherlands: the Second Chamber on 18 November and the First Chamber on 16 December;

Portugal: the Assembly of the Republic on 17 December.

By 31 December all the Member States but Ireland had deposited their instruments of ratification of the Single European Act in Rome. Ireland suspended deposit following an action brought by a private citizen contesting the constitutionality of the Single Act. As a result, the Single Act did not enter into force on 1 January 1987 as planned by the Hague European Council.¹

Implementation of the Single European Act

2.4.7. On 11 December, on the basis of a report by Mr Luis Planas on the political aspects of the Single Act and a report by Mr Christopher Prout on the amendments which will have to be made to Parliament's Rules of Procedure once the Single Act enters into force, Parliament adopted a resolution in which it stressed that maximum use should be made of the possibilities offered by the Act (→ points 2.4.15 to 2.4.19).²

Community prospects for 1987

2.4.8. At the London European Council on 5 and 6 December Mr Jacques Delors, President of the Commission, briefed the Heads of State or Government on the discussions set in hand by the Commission under the guidelines given by the European Council in Fontainebleau³ and by the Single European Act.⁴ He covered the financing of the Community, the common agricultural policy and the achievement of cohesion.

It was agreed that Mr Delors would visit the Heads of State or Government to report on the Commission's work and provide additional information.

2.4.9. On 10 December Parliament adopted a resolution on the London European Council deploring the absence of concrete results in the search for solutions to the Community's serious problems (→ point 2.4.21).²

*

2.4.10. On 11 December Parliament adopted a resolution on the Community's information policy (→ point 2.4.21).²

Relations between the institutions

Voting in the Council

2.4.11. With a view to the forthcoming entry into force of the Single European Act,⁴ the Council agreed at its meeting on 15 and 16 December to amend its Rules of Procedure concerning voting. The Rules now state that:

- (i) a vote is taken in the Council on the initiative of its President;
- (ii) the President is obliged to initiate the voting procedure at the request of a Member State or of the Commission provided that a simple majority of Council Members is in favour;
- (iii) items to be voted on will be listed in the agenda published two weeks before the Council meeting in question.

Cooperation procedure

2.4.12. On 11 December Parliament amended its Rules of Procedure in order to accommodate the new cooperation pro-

¹ Bull. EC 6-1986, point 1.1.6.

² OJ C 7, 12.1.1987.

³ Bull. EC 6-1984, point 1.1.1 *et seq.*

⁴ Supplement 2/86 — Bull. EC.

cedure provided for by the Single European Act.¹

Conferment of executive powers on the Commission

2.4.13. On 15 and 16 December the Council discussed the proposal for a Regulation laying down the procedures for the exercise of implementing powers conferred on the Commission.² It failed to reach a decision, but the Member States were able to state their positions on a number of key issues.

Institutions and organs of the Communities

Parliament³

Strasbourg: 8 to 12 December

2.4.14. As in past years, the agenda for the December part-session was a particularly heavy one. Besides the second reading of the 1987 budget, the programme included debates on the Council statement on the six months of the British Presidency, on the results of the London European Council and on the outcome of the second Council meeting of Ministers for Agriculture.

The House also debated the report by Mr Luis Planas (*Soc/E*) on the political aspects of the Single European Act and the report by Mr Christopher Prout (*ED/UK*) on the amendments that will have to be made on Parliament's Rules of Procedure once the Single Act comes into force.

The Planas report: a political appraisal of the Single Act

2.4.15. The Single European Act¹ makes provision for a cooperation procedure between the Community institutions. The rapporteur for Parliament's Political Affairs Committee, Mr Luis Planas, wanted Parlia-

ment to rise to the challenge offered by this procedure and claimed that the Single Act would steer the European Parliament towards the working methods of the national parliaments. This would cause problems in the first few months of implementing the Single Act. Mr Planas was nevertheless convinced that one of the benefits of the cooperation procedure would be to compel Parliament to maintain stricter discipline and to work more closely with the Commission. It was in the interest of both institutions if they wanted to be in a stronger position to talk to governments. Emphasizing that cohesion must be wedded to implementation of the Single Act, Mr Planas urged the Commission to draw up a clear and credible timetable for the period 1987-92 setting the target dates for attaining all the objectives of the Single Act. A similar timetable should be drawn up for the Community's economic and social cohesion, including the reform of the different structural Funds and an increase in own resources.

The Prout report: adapting Parliament's Rules of Procedure to the provisions of the Single Act

2.4.16. A number of amendments will have to be made to Parliament's Rules of Procedure when the Single Act comes into

¹ Supplement 2/86 — Bull. EC.

² OJ C 70, 25.3.1986; Bull. EC 2-1986, point 2.4.14; Bull. EC 11-1986, point 2.4.5.

³ The complete texts of the resolutions adopted by Parliament appear in OJ C 7, 12.1.1987, and the reports of the proceedings are contained in OJ Annex 2-346. The political groups of members are indicated in brackets by the following abbreviations: *Soc* = Socialists; *EPP* = European People's Party (Christian Democrats); *ED* = European Democratic Group; *Com* = Communists and Allies; *Lib* = Liberal, Democratic and Reformist Group; *EDA* = European Renewal and Democratic Alliance; *Rainbow* = Rainbow Group; *ER* = European Right; *NA* = Non-affiliated. The countries of origin are indicated as follows: B = Belgium, D = Federal Republic of Germany, DK = Denmark, E = Spain, F = France, GR = Greece, IRL = Ireland, I = Italy, L = Luxembourg, NL = Netherlands, P = Portugal, UK = United Kingdom.

force. This was the subject of Mr Prout's report, which was based on two principles: avoid as far as possible any major upheavals in the Rules — meaning that the existing consultation procedure will in future have to be used for instruments requiring only a single reading and as a first reading for instruments entailing application of the new cooperation procedure — and emphasize the importance of the first reading in the cooperation procedure. Mr Prout also stressed that certain articles proposed by the Single Act will require interinstitutional agreements, and he went on to indicate those instances in which the cooperation procedure should be applied once the Single Act takes effect:

(i) proposals whose legal bases, after 1 January 1987, make them subject to the cooperation procedure, which were presented to Parliament before 1 January 1987 and on which Parliament had not at that date given an opinion;

(ii) proposals of the same kind on which Parliament has already given an opinion but which have yet to be adopted by the Council.

The debates

2.4.17. The two reports won broad support from all sides of the House, with the exception of certain Danish members. Parliament confirmed its basic attitude towards the Single Act, namely that, though inadequate, it constituted a basis for progress and must be fully exploited. Mr Planas described it as both a challenge and an opportunity. The general feeling among members was that it clarified and extended the powers of the institutions, but not to the degree necessary.

Mr Prout emphasized that the new arrangement must be a cooperation and not a conflict procedure and that first readings must be used constructively. The House was unanimous in welcoming the Commission's intention of working closely with Parliament and the Council was urged to take the same line. Speaker after speaker highlighted

the need to bridge the democracy gap and to ensure real application of the new procedures through dialogue with other institutions, using, if need be, all available means of pressure, including the threat of a motion of censure against the Commission. Mr Peter Sutherland, Member of the Commission with special responsibility for relations with Parliament, stressed the importance attached by the Commission to the need to ensure the harmonious working of cooperation and to avoid 'non-decisions or blockage'. First readings were, he said, the key to success and should help to establish the broadest and swiftest possible consensus between the institutions without impairing the Commission's autonomy. He also suggested that Parliament might well refine its organization and methods in certain areas in the interest of interinstitutional relations.

Voting on the Planas and Prout reports

2.4.18. The Planas report was adopted by 230 votes to 14 with 19 abstentions. The House adopted the Prout report amending its Rules of Procedure by 332 votes to 12 with 9 abstentions.

Resolution on the Single European Act

2.4.19. Finding that the Single Act did not achieve European Union but that every use should now be made of the possibilities afforded by the Act, aware of the importance of having Parliament closely associated with all the efforts to attain the objectives set by the Act, and appreciating the need for closer cooperation between the Community institutions, Parliament decided to do its utmost to ensure completion of the internal market by 31 December 1992. It summarized the measures to be taken by the institutions in respect of economic and social cohesion and economic and monetary policy, and under political cooperation.

2.4.20. Parliament gave opinions on Commission proposals concerning:

- (i) a sixth Directive on aid to shipbuilding (→ point 2.1.123);
- (ii) a Decision revising the research programme to be implemented by the Joint Research Centre for the European Atomic Energy Community and for the European Economic Community (1984-87) (→ point 2.1.67);
- (iii) a Regulation concerning the framework programme of Community activities in the field of research and technological development (1987-91) (→ point 2.1.66);
- (iv) a Decision concerning the final conclusion on behalf of the Community of the framework agreements for scientific and technical cooperation between the European Communities and Sweden, Switzerland, Finland, Norway and Austria (→ point 2.1.69);
- (v) a Decision establishing a consultation and coordination procedure in the field of tourism (→ point 2.1.160);
- (vi) a Regulation amending the Regulation of 3 December 1982 on the implementation in the Community of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (→ point 2.1.202);
- (vii) a Regulation on the rationalization and improvement of the health conditions in slaughterhouses in Belgium (→ point 2.1.245);
- (viii) a Regulation on Community measures to improve and adapt structures in the fisheries and aquaculture sectors (→ point 2.1.285);
- (ix) a Regulation amending the Regulation of 29 June 1982 establishing certain control measures for fishing activities by vessels of the Member States (→ point 2.1.255);
- (x) a recommendation on the coordinated introduction of ISDN in the European Community (→ point 2.1.77).

2.4.21. Parliament also passed resolutions on the following subjects.

The failure so far to adopt the Erasmus programme for the mobility of students.

Parliament considered that the measures envisaged under this scheme, the purpose of which was to enable 150 000 students each year to engage in additional study in a university in a Community country other than their own, constituted a vital factor in bringing about a people's Europe. The House strongly regretted that the Education Ministers meeting within the Council on 28 November 1986 did not adopt Erasmus and called for the scheme to be adopted in full and put into effect as soon as possible.

The recent pollution of the Rhine and its environment. In four resolutions Parliament called on the Member States to honour all the international commitments they had made to protect the environment and to adopt immediately the Council of Europe's draft convention on the protection of international waterways against pollution. The Commission was urged to draw up a report on the application of regulations and to propose other safeguards. Parliament regretted that the Seveso Directive¹ had not been applied in all the Member States and called on the official French, German and Dutch laboratories to publish the results of tests on samples of Rhine water and for similar analyses to be carried out in all Community rivers where similar problems existed. The House insisted that the bed of the Rhine should be cleaned up and that those responsible for the recent disasters that had polluted it should pay the bill.

The many accidents and discharges of dangerous substances into rivers. Parliament called on the Council to review its decision of 12 June 1986² in which it had adopted inadequate threshold values for the Directive amending the Seveso Directive. The Commission was asked to undertake a thorough review of the substances listed in the annex to ensure that it was complete and to amend the maximum quantities and values laid down. It was also to review the regulations and recommendations in respect of disaster prevention in the Community

¹ OJ L 230, 5.8.1982; Bull. EC 6-1982, point 2.1.92.

² OJ L 181, 4.7.1986; Bull. EC 6-1986, point 2.1.147.

and to draft a complementary directive incorporating in a single text free of loopholes provisions from international conventions, national legislation and Community directives on the dumping of waste in rivers.

The major environmental hazards caused by the wreck of the iron ore carrier Kowloon Bridge on the southern coast of Ireland and the threat posed by the damaged oil tanker Capo Emma in the same region. In two resolutions Parliament expressed its grave concern over the possible consequences for the environment, fishing and shellfish farming, from the wreck of the *Kowloon Bridge* carrying, besides fuel oil, 150 000 tonnes of iron ore, and from the damage sustained by the tanker *Capo Emma* lying in Bantry Bay. The House reiterated its calls for measures to combat the abuse of flags of convenience, covering in this case ships suffering from structural faults or poorly maintained. It insisted that all costs relating to cleaning up the polluted areas and compensation to injured parties be paid by the owners and insurers of the ships concerned.

Parliament also insisted on the publication of the findings of inquiries held and urged the Commission to investigate ways and means of improving the Community response to disasters affecting the environment and to provide financial and other aid as required in order to alleviate this disastrous situation for the environment.

Relations between the EEC and Turkey. Although it noted that some progress had been made towards the restoration of parliamentary democracy in Turkey, Parliament felt that the Community was not justified in fully normalizing its relations with Turkey. It deplored the widespread use of torture in prisons and police stations and the occupation of 36% of Cyprus. The House urged the Turkish authorities to restore observance of full human rights and to find a solution to the Cyprus conflict. Concerned about the circumstances of Turkish workers in the Community, Parliament called for measures to improve their social and legal situation.

London European Council. Parliament deplored the absence of concrete results in the search for solutions to the Community's serious problems and the fact that so little action had been taken on the Commission's proposed remedies.

Information policy in the Community. Believing that the diversity of cultures, the sequels of history and the different conditions of the various countries were sources of difficulty in the devising of Community policies, Parliament stressed the need for communication and information in the process of integrating Europe. The absence of any specific provisions in the Treaty made it necessary to devise an information policy coordinated between the institutions. Parliament indicated its wishes for the framing of such a policy.

The draft general budget of the Community for 1987 (→ point 2.3.1).

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

Human rights in South Africa. Parliament expressed concern at the arrest of the young French relief worker, Pierre-André Albertini, by police in the Ciskei tribal homeland on 24 October and urged in two resolutions the strict respect of human rights and the immediate release of Mr Albertini, in the absence of charges against him. The House called on the Foreign Ministers meeting in political cooperation to make immediate and exceptional representations to the South African authorities in order to obtain his release.

The situation of the prisoners held hostage by Renamo in Mozambique. Having learned that the persons being held hostage and maltreated by armed groups in Mozambique included several Member States' nationals, Parliament expressed its revulsion at these violations of human rights, condemned these acts, expressed its solidarity with the victims and demanded that all Member States cease giving any form of support to the Renamo movement.

The persecution suffered by members of the family of Luasa-Mboli Mbolemanga in Zaire. Parliament condemned categorically the violations of human rights perpetrated against several members of this family by the Zaire security forces and emphasized that other members of the family were now in a precarious situation and their lives obviously at risk. The House condemned these serious attacks on the right to life of the family of Luasa-Mboli Mbolemanga; warned the Zaire authorities to refrain from any other attacks on the physical or emotional wellbeing of the other members of her family; asked for any information that might throw light on the circumstances of suspicious deaths; called on the competent Belgian authorities to grant Luasa-Mboli Mbolemanga political refugee status and asked the Foreign Ministers to do everything in their power to reunite the family in conditions of safety.

The use of torture in Kampuchea. Having learned from Amnesty International reports of the tortures inflicted in Kampuchean prisons, where conditions were unhealthy, degrading and inhuman, Parliament called on the Foreign Ministers to take whatever measures they considered most appropriate to prevent any further deaths or suicides in detention centres in Kampuchea.

The abduction of Brian Keenan in Lebanon. Concerned about the kidnapping in Beirut on 11 April of Mr Brian Keenan from Belfast, who was teaching English at the American University of Beirut, and that no side had claimed responsibility for his abduction, Parliament called on the Foreign Ministers to do everything in their power to secure his immediate release and that of the other persons abducted in Lebanon.

The human rights situation in Iran. Considering the daily violations of human rights in Iran and the rejection by the Khomeiny regime of all attempts at mediation and appeals for peace in the seven-year-old Iran-Iraq war, and the growing efforts of the Iranian people to establish peace and democracy in Iran, Parliament was profoundly concerned over the reports of the

supply of arms to the Khomeiny regime by some Western governments. Parliament urged the Member States of the Community to do everything to stop any further sales of arms to Iran.

Arms sales to Iran. In three resolutions Parliament totally condemned the sales of arms to Iran by the United States Administration, which were both illegal under US law and totally contradictory to the repeated public statements by President Reagan. The House called on the governments of the Member States to refrain from providing arms to either side in the war between Iran and Iraq. The Commission was asked to carry out an investigation into arms sales by Community Member States and to take measures to harmonize regulations governing arms sales. The Foreign Ministers were urged to draw up, within six months, a detailed report on the involvement of European firms in arms shipments to Iran. Finally, Parliament decided to set up its own committee of inquiry to submit a final report to the House within six months.

The situation in Lebanon. Parliament's concern about the disastrous economic situation in Lebanon caused by the state of war, the shortage of water and electricity, the continuing collapse in the value of the Lebanese pound and the threat of famine, now the main worry for the people of Lebanon, prompted it to call on the Commission to grant aid to the Lebanese State to enable the people to deal with this situation.

The massacre in the Palestinian camps in Lebanon. Parliament condemned the savage attacks on the Palestinian people living in refugee camps and villages in Lebanon, expressed its solidarity with the families of victims and with the entire Palestinian people, and requested the Council and the Foreign Ministers to act to ensure that the parties concerned put an end to this new escalation of violence and murder, that the safety of the civilian population and refugees was safeguarded, and a solution found to the Lebanon crisis and the Middle East crisis in general; the Commission was asked

to supply all possible material and humanitarian aid to the people affected.

The continued Soviet occupation of Afghanistan. Dismayed by the suffering of the Afghan people during seven years of Soviet invasion, emphasizing that the refugees represented almost one third of Afghanistan's population, angered by the widespread practice of torture by agents of the Communist regime in Kabul under the supervision of Soviet officials, Parliament condemned the continued Soviet occupation of Afghanistan and the methods by which it was maintained, affirmed that peace could be restored and the refugees return only when all Soviet troops had been withdrawn, asked the United Nations Secretary-General to undertake a mission for this purpose and urged the Community and its Member States to step up their economic and technical efforts to aid both the refugees and the rest of the Afghan people. The House called on the Foreign Ministers, as a matter of urgency, to make representations to the Soviet Government and to the Kabul regime to secure an immediate halt to all forms of torture and to allow the Red Cross/Red Crescent to bring humanitarian aid to the victims.

Human rights in South Korea. Aware of the numerous violations of human rights in South Korea, horrified by the massacre in Kwangju and deploring the three-year gaol sentence imposed on the Rev. Moon Ik-Hwan and the harassment of the former Presidential candidate and alarmed by the arrest of 1 200 student protesters, Parliament called for restoration of full democratic rights to Kim Dae Jung, the release of Moon Ik-Hwan and the detained students and the opening of negotiations on the organization of Presidential elections in 1988.

The situation in Poland. Parliament welcomed the signs of improvement in Poland's political and economic situation but deplored the continuing restrictive measures against leading figures in trade union, academic and ecclesiastical circles. The House expressed its hopes that Poland would pur-

sue the search for a national compromise involving all political and social forces and would be aided in this task by international solidarity.

The violation of the SALT II Agreement. Parliament believed that the failure to comply with SALT II would speed up the arms race and do great damage to the current arms control and disarmament talks. The House called on the governments of the superpowers to respect the agreements existing between them and to return to the negotiating table. It condemned the continuation of nuclear tests and regretted that the London European Council had not launched an appeal for disarmament. Parliament urged the European parties to the 1963 Treaty on the Non-proliferation of Nuclear Weapons to convene a conference on securing an unrestricted ban on nuclear tests.

The continued imprisonment of Mr Koryagin. Parliament appealed to the Soviet Government for the immediate and unconditional release of Mr Anatoly Koryagin, a member of the Working Committee on Psychiatric Abuse and a nominee for the Nobel Peace Prize, who was being maltreated in a Soviet labour camp.

Miscarriage of justice. In three resolutions Parliament asked the British Government to submit to the Appeal Court the files on the Birmingham Six, the Maguire Seven and the four persons accused of the Guildford bombing in 1974. In support, the House referred to the doubts now being expressed concerning the guilt of the accused.

Council

2.4.23. The Council held 11 meetings in December. 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 23 — Council meetings in December 1986

Number, place and date of meeting	Subject	President	Commission	Main items of business
1126th Brussels 1 December	Internal market	Mr Clark Lord Lucas of Chilworth	Lord Cockfield Mr Narjes Mr Varfis	Counterfeit goods ¹ Chemical products ² Self-propelled industrial trucks ³ Rool-over protection for narrow-track tractors ³ Semiconductors ³ Pharmaceutical products ³ Consumer credit ² Fire safety in existing hotels ³ Dozers and loaders IT and telecommunications ⁴ Public contracts Border controls Testing and certification Simple pressure vessels Community patent convention Rolling programme
1127th Brussels 3 and 4 December	Fisheries	Mr Jopling	Mr Cardoso e Cunha	Measures to improve and adapt structures in fisheries and aquaculture ⁵ Relations with certain international organizations and certain non-member countries
1128th Brussels 8 December	Economic and financial affairs	Mr Lawson	Mr Delors Lord Cockfield Mr Matutes Mr Pfeiffer	NCI IV ⁶ Medium-term financial assistance ⁶ Duty-free admission of fuel contained in fuel tanks of goods transport vehicles Arrangements for rum from French overseas departments Annual accounts of banks ⁷ Travellers' allowances Annual economic report 1986-87 ⁶ Economic situation in Greece ⁶ Follow-up to European Council — financial services
1129th 8, 9 and 10, 13, 14, 15 and 16 December	Agriculture	Mr Jopling	Mr Andriessen Lord Cockfield	Milk ⁸ Beef/veal ⁸ Socio-structural measures ⁹ Agri-monetary problems ⁹ Other measures concerning beef/veal National aid in sheepmeat sector

Number, place and date of meeting	Subject	President	Commission	Main items of business
1130th Brussels 9 and 10 December	Research	Mr Pattie	Mr Narjes	<p>Seasonal adjustment of ewe premium</p> <p>Inward processing arrangements for whey⁹</p> <p>Foodstuffs/plant health/seeds/veterinary matters: extraction solvents; flavourings used in foodstuffs; materials and articles intended to come into contact with foodstuffs; organisms harmful to plants or plant products; marketing of seeds and plants; fresh and deep-frozen semen of animals of bovine species; eradication of brucellosis, tuberculosis and leukosis in cattle; animal health problems with regard to glands and organs⁹</p> <p>Evaluation of Community research and development activities (1987-91) — Council resolution⁴</p> <p>Relations between Community and Eureka — Council conclusions⁴</p> <p>Future role of JRC — revision of 1984-87 programme⁴</p> <p>Framework programme of Community activities in research and technological development (1987-91)⁴</p>
1131st Strasbourg 10 and 11 December	Budget	Mr Brooke	Mr Christophersen	Budgetary procedure for 1987 ¹⁰
1132nd Brussels 11 December	Labour and social affairs	Mr Clarke	Mr Marín	<p>Action programme for employment growth — resolution¹¹</p> <p>Health and safety at the workplace: carcinogens, benzene</p> <p>Combating poverty¹¹</p> <p>Social security for migrant workers¹¹</p> <p>Vocational training for young people</p> <p>Equal treatment for men and women¹¹</p>
1133rd Brussels 15 and 16 December	Transport	Mr Moore	Mr Clinton Davis Mr Sutherland	<p>Air transport¹²</p> <p>Proposal for a Council Regulation on access to a market for carriage of goods by road between Member States¹²</p> <p>Infrastructure¹²</p> <p>Policies affecting railway finances¹²</p>

Council

Number, place and date of meeting	Subject	President	Commission	Main items of business
1134th Brussels 15 and 16 December	Foreign affairs	Sir Geoffrey Howe	Mr Delors Mr Natali Mr Marin Mr Cheysson Mr De Clercq	<p>Shipping: freedom to provide services; coordinated action to safeguard free access to ocean trades; unfair pricing practices; application of competition rules¹²</p> <p>Appointment of Commission President and Vice-Presidents¹³</p> <p>Relations with Romania¹⁴</p> <p>Community-US relations: Council conclusions¹⁵</p> <p>Community-Canada relations: Council conclusions¹⁵</p> <p>Institutional questions: voting in Council; exercise of executive powers conferred on Commission¹⁶</p> <p>Food aid policy and management¹⁷</p> <p>System for compensating non-ACP LLDCs for losses of export earnings</p> <p>Aid to Latin American and Asian developing countries</p> <p>Relations with Cyprus¹⁴</p> <p>Erasmus</p> <p>ECSC social aspects</p>
1135th Brussels 17 and 18 December	Fisheries	Mr Jopling	Mr Cardoso e Cunha	<p>Control measures⁵</p> <p>Community measures to improve and adapt fisheries and aquaculture structures⁵</p> <p>Guide prices for fishery products for 1987⁵</p> <p>TACs and quotas for 1987⁵</p> <p>Norway, Faeroe Islands and Sweden</p> <p>French Guianese waters⁵</p> <p>Canada⁵</p> <p>Technical measures for conservation⁵</p> <p>Flat-rate quantities of horse mackerel and blue whiting for 1987⁵</p> <p>Other regulations concerning conservation and management of fishery resources⁵</p> <p>Coordination and promotion of research in fisheries sector</p> <p>Fisheries relations with certain international organizations and certain non-member countries</p>

Number, place and date of meeting	Subject	President	Commission	Main items of business
1136th Brussels 22 December	Industry	Mr Shaw	Mr Sutherland	Shipbuilding ¹⁸ Public contracts ³

¹ Customs union.² Environment and consumers.³ Internal market and industrial affairs.⁴ Research and technology.⁵ Fisheries.⁶ Economic and monetary policy.⁷ Financial institutions and taxation.⁸ Points 1.2.1 and 1.2.2.⁹ Agriculture.¹⁰ Financing Community activities.¹¹ Employment, education and social policy.¹² Transport.¹³ Institutions and organs of the Communities.¹⁴ Relations with other countries and regions.¹⁵ Relations with industrialized countries.¹⁶ European policy and relations between the institutions.¹⁷ Development.¹⁸ Competition.

Commission

2.4.24. On 15 December the Representatives of the Governments of the Member States adopted two Decisions, one renewing the term of Mr Jacques Delors as President of the Commission and the other renewing the terms of Mr Andriessen, Mr Christophersen, Lord Cockfield, Mr Marín, Mr Narjes and Mr Natali as Vice-Presidents of the Commission, for the period 6 January 1987 to 5 January 1989.¹

Activities

2.4.25. Mr Delors and Mr Natali represented the Commission at the European Council in London on 5 and 6 December (→ point 1.1.1 *et seq.*). Mr Delors briefed the Heads of State or Government on the deliberations set in hand by the Commission under the guidelines given by the Fontainebleau European Council² and by the Single European Act.³ He covered the financing of the Community, the common agricultural policy and the achievement of cohesion. It was agreed that Mr Delors would visit the Heads of State or Government to report on the Commission's work.

The Commission met Mr Tindemans, the Belgian Foreign Minister, and Mr de Keers-

maeker, the Belgian State Secretary for European Affairs and Agriculture, to prepare the programme of the Council Presidency for the first half of 1987.

Decisions, communications and proposals

2.4.26. The Commission sent the Council a communication and a proposal for a Decision on financing major Community infrastructure projects (→ point 1.3.8 *et seq.*) in which it provides details of Community action to facilitate the financing of such projects within a changing environment. It also adopted a communication on financial engineering explaining the reasons for and significance of such activity at Community level and indicating the guidelines that the Commission intends to set for its development (→ points 1.3.2 to 1.3.7).

The Commission also sent the Council a communication incorporating a proposal for a 'Europe against cancer' programme (1987-98) (→ point 1.4.1 *et seq.*) and a related proposal for a Council Decision

¹ OJ L 359, 19.12.1986.² Bull. EC 6-1984, point 1.1.1 *et seq.*³ Supplement 2/86 — Bull. EC.

adopting an action plan on information of the general public and training of the health professions, both in line with the conclusions of the London European Council, which designated 1989 European Cancer Information Year (→ point 1.1.19).

Following its June proposal on public supply contracts¹ the Commission has now adopted a proposal on public works contracts (→ point 2.1.35); both are part of the move to open up public procurement.

In a communication to the Council the Commission has come out in favour of the introduction of legally enforceable speed limits throughout the Community (→ point 2.1.299). This paper is to be followed by detailed proposals at a later date.

A communication on natural gas, with particular reference to security of supply, was transmitted to the Council (→ point 2.1.305 *et seq.*).

With the approval of the Council and the Monetary Committee the Commission decided to release the second tranche of the loan to Greece (875 million ECU) (→ point 2.1.5).

Relations with workers' and employers' organizations

2.4.27. The working party on new technologies and social dialogue, formed following the meeting between the Commission and representatives of the European employers' and workers' confederations at Val Duchesse in November 1985,² held its fourth meeting on 2 December;³ Mr Marín, Commission Vice-President responsible for employment, social affairs and education, was in the chair. The meeting served to reconcile viewpoints and seek solutions acceptable to both sides on the subjects discussed, namely the right of workers and their representatives to information and consultation when new technologies are introduced into firms, and training and motivation of the workforce. Members agreed to continue active discussions early in January.

¹ Bull. EC 6-1986, point 1.2.1 *et seq.*

² Bull. EC 11-1985, point 2.5.15.

³ Previous meeting: Bull. EC 10-1986, point 2.4.29.

Court of Justice

2.4.28. New cases

Case	Subject	Basis
Free movement of goods 286/86 Ministère publique v Déserbais	Use of 'Edam' cheese trade name restricted to products which comply with national legislation, particularly regarding minimum fat content Ban on marketing as 'Edam' cheeses which have a different fat content but which meet requirements in the Member State of origin. Compatibility with the rules relating to free movement, Article 30 EEC?	Article 177 EEC

Case	Subject	Basis
<p>Right of establishment and freedom to provide services</p> <p>292/86 Gulling v Conseil de l'Ordre des Avocats du Barreau de Colmar and Conseil de l'Ordre des Avocats du Barreau de Saverne</p>	<p>Application of Articles 52 and 59 EEC and of Council Directive 77/249/EEC (lawyers' freedom to provide services) to a national of two Member States in the light of his dual nationality and the compatibility with Community law of the requirement that access to the legal profession be subject to a condition as to good repute</p>	<p>Article 177 EEC</p>
<p>Taxation</p> <p>273/86 Atletiek Vereniging 'NEA-Volharding' v Inspecteur der Invoerrechten en Accijnzen</p>	<p>Can the supply of food and drink by a sports club to its members in a canteen run by the club be regarded as a service closely linked to sport or physical education supplied to persons taking part in sport or physical education within the meaning of Article 13(A)(1)(m) of the sixth VAT Directive?</p>	<p>Article 177 EEC</p>
<p>298/86 Vereniging Happy Family Rustenburgerstraat v Inspecteur der Omzetbelastingen, Amsterdam¹</p>	<p>In the light of the judgment of the Court of Justice in Case 294/82, must Article 2(1) of the sixth VAT Directive be interpreted as meaning that upon the supply of narcotic drugs within the territory of a Member State no turnover tax arises either?</p>	<p>Article 177 EEC</p>
<p>Social policy</p> <p>287/86 Landsorganisationen i Danmark on behalf of Tjernerforbundet i Danmark v Ny Mølle Kro and Hannibalsen</p>	<p>Interpretation of the word 'transfer' in Article 1(1) of Council Directive 77/187/EEC (safeguarding of employees' rights in the event of transfers of undertakings) and of Article 3(2) of the Directive as regards maintenance of pay and working conditions provided for in a collective agreement notwithstanding the fact that no employees were employed at the time of transfer</p>	<p>Article 177 EEC</p>
<p>Agriculture</p> <p>291/86 Central-Import Münster v HZA Münster</p>	<p>Does Article 14 of Regulation No 516/77, read in conjunction with Articles 1 and 2 of Regulation No 521/77, contain a sufficiently specific enabling provision for the Commission to adopt protective measures within the meaning of Regulation No 2742/82 and does it define the essential criteria for the adoption of such measures?</p>	<p>Article 177 EEC</p>
<p>296/86 Anthony McNicholl and Others v Minister for Agriculture</p>	<p>(i) Is Article 16(3) of Commission Regulation No 2173/79 to be interpreted so as to include the exception in cases of <i>force majeure</i> contained in Article 16(2) so that an intervention agency is required, in cases where a failure to comply with a contractual obligation arose as a result of <i>force majeure</i>, not to forfeit any part of the security therein referred to?</p>	<p>Article 177 EEC</p>

Case	Subject	Basis
External relations	(ii) Application of the principle of proportionality to the case in question	
301/86 <i>Frimodt Pedersen v Commission</i> ²	Annulment of Commission Regulation No 3019/86 imposing a provisional anti-dumping duty on imports of standardized multiphase electric motors having an output of more than 0.75 kW but not more than 75 kW, originating in Bulgaria, Hungary, Poland, the German Democratic Republic, Romania, Czechoslovakia and the USSR; alternatively, annulment of that Regulation at least in so far as it relates to imports from the GDR into Community territory	Article 173 EEC
304/86 and 304/86 R <i>Enital v Council and Commission</i>	(i) Annulment of Council Regulation No 3018/86 repealing the Regulation accepting the undertakings given respectively by exporters in Bulgaria, Poland, the German Democratic Republic, Romania and Czechoslovakia in connection with the anti-dumping procedure concerning imports of standardized multi-phase electric motors having an output of more than 0.75 kW but not more than 75 kW originating in those countries; annulment also of Commission Regulation No 3019/86 (ii) Application for suspension of the operation of the said Regulations	Article 173 EEC Article 185 EEC (application for suspension) Article 83 of Rules of procedure
305/86 <i>Neotype Techmasheexport v Commission</i> ³	Annulment of Article 2 of Commission Regulation No 3019/86 in so far as it relates to the importation by the applicant of motors originating in the USSR	Article 173 EEC
320/86 <i>Stanko France v Commission</i>	Annulment of Regulation No 3019/86	Article 173 EEC
Infringements		
298/86 <i>Commission v Belgium</i>	Article 30 EEC; Article 5(1) of Council Directive 72/464/EEC — excise duties on manufactured tobacco	Article 169 EEC
302/86 <i>Commission v Denmark</i> ⁴	Article 30 EEC; Council Directive 85/339/EEC — application of the system for the compulsory return of beer and soft drinks containers	Article 169 EEC
303/86 <i>Commission v France</i> ²	Article 11(2) of Annex VIII to the Staff Regulation of Officials of the European Communities — transfer of pension rights	Article 169 EEC

Case	Subject	Basis
306/86 Commission v Belgium ²	Failure to notify national measures implementing Council Directive 76/135/EEC (reciprocal recognition of navigability licences for inland waterway vessels)	Article 169 EEC
307/86 Commission v Belgium ²	Failure to notify national measures implementing Council Directive 82/714/EEC (technical requirements for inland waterway vessels)	Article 169 EEC
309/86 Commission v Italy ⁵	Failure to implement Council Directive 82/242/EEC and 82/243/EEC (biodegradability of non-ionic and anionic surfactants)	Article 169 EEC
310/86 Commission v Italy ⁵	Failure to notify national measures implementing Council Directive 82/470/EEC (services ancillary to transport)	Article 169 EEC
311/86 Commission v Luxembourg ³	Failure to notify national measures implementing Council Directive 82/510/EEC (major-accident hazards of certain industrial activities)	Article 169 EEC
312/86 Commission v France ³	Failure to fulfil obligations under the Treaty by not adopting within the period prescribed in the first subparagraph of Article 9(1) of Directive 76/207/EEC all the measures necessary to secure the full and precise implementation of that Directive and by adopting instead Section 19 of the Act of 13 July 1983	Article 169 EEC
318/86 Commission v France ⁶	Failure to fulfil obligations under the Treaty by not adopting within the period prescribed in the first subparagraph of Article 9(1) of Directive 76/207/EEC all the measures necessary to secure the full and precise implementation of that Directive and in particular by maintaining, contrary to the requirements of the Directive, a system of separate recruitment according to sex for appointment to various public service posts	Article 169 EEC
319/86 Commission v Ireland ⁵	Failure to notify national measures implementing Council Directive 80/779/EEC on air quality limit values and guide values for sulphur dioxide and suspended particulates	Article 169 EEC
322/86 Commission v Italy ⁷	Failure to implement Commission Directive 78/659/EEC on the quality of fresh waters needing protection or improvement in order to support fish life	Article 169 EEC
325/86 Commission v Greece	Application for the Court to declare that, by laying down fixed profit margins for trade in certain products within the Community so as to discriminate between domestic products and similar imported goods, Greece has failed to fulfil its obligations under Article 30 EEC	Article 169 EEC

Disputes between the Community and its staff

v Commission:

314/86 Szy-Tarrisse

315/86 Feyaerts

328/86 Brazzelli Lualdi and Others—Annulment of applicants' salary statements for January 1986 (weighting applicable to remuneration)

¹ OJ C 8, 13.1.1987.
² OJ C 11, 15.1.1987.
³ OJ C 14, 20.1.1987.
⁴ OJ C 1, 3.1.1987.
⁵ OJ C 22, 29.1.1987.
⁶ OJ C 23, 30.1.1987.
⁷ OJ C 21, 28.1.1987.

2.4.29. Judgments

Date and case	Held
<p>ECSC — Steel</p> <p>10.12.1986: 41/85 Sideradria v Commission¹</p>	<p>1. The amount of the fine imposed on the applicant is reduced from 768 404 ECU to 754 920 ECU, or LIT 1 036 142 798</p> <p>2. The remainder of the application is dismissed</p>
<p>Competition</p> <p>18.12.1986: 10/86 VAG France v Etablissements Magné²</p>	<p>Commission Regulation No 123/85 on the application of Article 85(3) EEC to certain categories of motor vehicle distribution and servicing agreements does not lay down any mandatory provisions directly affecting the validity or contents of contractual provisions or oblige the contracting parties to amend the contents of their contract in accordance with the Regulation but merely lays down conditions which, if they are satisfied, exclude certain contractual provisions from the prohibition and consequently from the automatic nullity provided for in Article 85(1) and (2) EEC</p> <p>It is for the national court to determine in accordance with the relevant national law the consequences in the event that certain contractual provisions are void</p>
<p>Social policy</p> <p>4.12.1986: 71/85 Netherlands v FNV³</p>	<p>1. Where no measures have been adopted to implement Council Directive 79/7/EEC, Article 4(1) thereof, which prohibits all discrimination on grounds of sex in matters of social security, could be invoked as from 23 December 1984 in order to preclude the application of any national provision inconsistent with that article. In the absence of measures implementing that article women are entitled to be treated in the same</p>

Date and case	Held
	<p>way, and have the same rules applied to them, as men who are in the same situation, and, since the said Directive has not been implemented, those rules remain the only valid point of reference</p> <p>2. A Member State may not invoke its discretion with regard to the choice of ways of implementing the principle of equal treatment in the field of social security laid down in Directive 79/7/EEC in order to deny all effect to Article 4(1) thereof, which may be invoked in legal proceedings even though the said Directive has not been implemented as a whole</p>
Agriculture	
10.12.1986: 267/80 Birra Dreher v Riseria Modenese and Others ¹	The application originating third-party proceedings is dismissed
18.12.1986: 312/85 Villa Banfi v Regione Toscana and Others ⁴	Article 3(1) of Council Directive 72/159/EEC on the modernization of farms must be interpreted as meaning that Member States, when laying down the criteria to be fulfilled by a person other than a natural person in order to be regarded as a farmer practising farming as his main occupation, are not permitted to exclude certain types of legal person from the scope of the Directive solely by reason of their legal form
4.12.1986: 246/85 Anicav and Elvea v Council ⁵	Removed from the Court Register (annulment of Regulation No 1320/85 concerning processed tomato products)
External relations	
17.12.1986: 294/86 R Technointorg v Commission	Application dismissed (suspension of Commission Regulation No 2800/86 — dumping)
Administrative matters	
18.12.1986: 426/85 Commission v Zoubek ⁵	<p>1. The defendant is ordered to pay the Commission the sum of BFR 33 000 together with interest at the various statutory rates in force in Belgium since 7 January 1972</p> <p>2. The Court has jurisdiction to hear and determine the defendant's counterclaim</p> <p>3. The counterclaim is dismissed as unfounded</p>
Infringements	
2.12.1986: 23/84 Commission v United Kingdom ⁶	<p>1. By authorizing the Milk Marketing Boards to operate:</p> <p>(a) a system of dual pricing for whole milk utilized for the manufacture of butter depending on whether it is to be sold as intervention or bulk butter or as packet butter on the retail market, and</p>

Date and case	Held
2.12.1986: 239/85 Commission v Belgium ⁶	<p>(b) differential pricing for whole milk utilized for the manufacture of butter and cream depending on whether the skimmed milk obtained in such manufacture is used as animal feed or processed into skimmed-milk powder, the United Kingdom has failed to fulfil its obligations under Article 10 of Council Regulation No 1422/78 and Article 6 of Commission Regulation No 1565/79</p> <p>By failing to adopt all the laws or regulations necessary to implement Council Directive 78/319/EEC on toxic and dangerous waste, Belgium has failed to fulfil its obligations under the Directive itself and under Articles 5 and 189 EEC</p>
4.12.1986: 220/83 Commission v France ³	<p>1. France has failed to fulfil its obligations under Articles 59 and 60 EEC by requiring Community insurance undertakings to be established in France and to undergo a procedure for prior authorization in order to be able to offer co-insurance services in France as a leading insurer</p> <p>2. For the rest, the application is dismissed</p>
4.12.1986: 252/83 Commission v Denmark ³	<p>1. Denmark has failed to fulfil its obligations under Articles 59 and 60 EEC by requiring Community insurance undertakings to become established in Denmark in order to be able to provide Community co-insurance services there as leading insurers</p> <p>2. For the rest, the application is dismissed</p>
4.12.1986: 205/84 Commission v Germany ³	<p>1. The Federal Republic of Germany has failed to fulfil its obligations under Articles 59 and 60 EEC by providing in the Versicherungsaufsichtsgesetz that where insurance undertakings wish to provide services in that Member State in relation to direct insurance business, other than transport insurance, through salesmen, representatives, agents and other intermediaries, they must be established in its territory; however, that failure does not extend to compulsory insurance and insurance for which the insurer either maintains a permanent presence equivalent to an agency or a branch or directs his business entirely or principally towards the territory of the Federal Republic of Germany</p> <p>2. The Federal Republic of Germany has failed to fulfil its obligations under Articles 59 and 60 EEC and under Council Directive 78/473/EEC on the coordination of laws, regulations and administrative provisions relating to Community co-insurance by requiring that, for services provided in connection with Community co-insurance, where the risks are situated in the Federal Republic of Germany the leading insurer be established and authorized there</p> <p>3. For the rest, the application is dismissed</p>

Date and case	Held
4.12.1986: 206/84 Commission v Ireland ³	<p>1. Ireland has failed to fulfil its obligations under Articles 59 and 60 EEC and Council Directive 78/473/EEC on the coordination of laws, regulations and administrative provisions relating to Community co-insurance by requiring Community insurance undertakings which wish to provide in Ireland in the role of leading insurer the services to which the Directive applies either to be authorized and therefore established in that Member State or, as the case may be, to give notice to the competent Irish minister and obtain his consent</p> <p>2. For the rest, the application is dismissed</p>
4.12.1986: 179/85 Commission v Germany ¹	<p>By prohibiting in Paragraph 52(3)(2) of the Wein-gesetz in conjunction with Paragraph 10(2) of the Schaumwein-Branntwein-Verordnung the marketing of beverages such as 'pétillant de raisin' in the presentation in which they are usually manufactured and marketed in their country of origin, the Federal Republic of Germany has failed to fulfil its obligations under Article 30 EEC</p>
16.12.1986: 124/85 Commission v Greece ⁷	<p>By allowing only certain cuts of fresh beef and veal to be imported, Greece has failed to fulfil its obligations under Article 22(1) of Council Regulation No 805/68 and under Article 30 EEC</p>
16.12.1986: 200/85 Commission v Italy ⁷	<p>Application dismissed (Article 95 EEC — differential rates of VAT on diesel-engined cars according to cubic capacity applied in such a way that the highest rate applies exclusively to imported cars, and in particular to cars imported from other Member States)</p>
18.12.1986: 93/85 Commission v United Kingdom ⁴	<p>1. The United Kingdom has failed to fulfil its obligations under the first subparagraph of Article 10(2) of Council Regulation No 2891/77 by not complying with the invitation addressed to it pursuant to that provision by the Commission by telex message of 28 April 1983</p> <p>2. By refusing to pay the interest provided for in Article 11 of Regulation No 2891/77 in respect of the delay with which it credited to the Commission's account the own resources for the month of April 1983 determined on the basis of the information available to the United Kingdom on 15 April 1983, the United Kingdom has failed to fulfil its obligations under that article</p>
3.12.1986: 137/86 Commission v Belgium ³	<p>Removed from the Court Register (Council Directive 82/368/EEC amending for the second time Directive 76/768/EEC relating to cosmetic products)</p>
17.12.1986: 370/85 Commission v France	<p>Removed from the Court Register (Council Directive 79/373/EEC and Commission Directives 80/509/EEC, 80/511/EEC and 80/695/EEC — marketing of compound feedingstuffs)</p>

Date and case	Held
17.12.1986: 371/85 Commission v France	Removed from the Court Register (Council Directives 77/101/EEC and 79/372/EEC and Commission Directives 79/797/EEC — marketing of straight feedingstuffs)

Disputes between the Community and its staff

v Commission: 11.12.1986: 25/86 Suss — Application dismissed as inadmissible

- ¹ OJ C 11, 15.1.1987.
- ² OJ C 23, 30.1.1987.
- ³ OJ C 8, 13.1.1987.
- ⁴ OJ C 21, 28.1.1987.
- ⁵ OJ C 22, 29.1.1987.
- ⁶ OJ C 1, 3.1.1987.
- ⁷ OJ C 15, 21.1.1987.

Court of Auditors

2.4.30. On 4 December the Court of Auditors adopted a special report on financial and technical cooperation with India.

Economic and Social Committee

242nd plenary session

2.4.31. The Economic and Social Committee held its 242nd plenary session in Brussels on 16 and 17 December with Mr Margot in the chair. The session was attended by Mrs Chalker, Minister of State at the Foreign and Commonwealth Office. The Committee adopted two own-initiative opinions on local employment initiatives and on the criteria and efficiency of integrated operations, but it came out against the proposal for a sixth Directive on aid to shipbuilding and recommended extending the fifth Directive in order to provide time to map out a realistic policy for the industry.

Local employment initiatives

2.4.32. By 108 votes for, 6 against and 23 abstentions the Committee adopted an own-initiative opinion on local employment initiatives. The discussion bore on the limited effect of such ventures in terms of

absorbing unemployment. They could be considered beneficial and desirable in social terms but their overall impact in terms of job creation was still uncertain. The Committee suggested that the Member States ought to calculate and provide the Community with reliable data on the net job-creative impact of such ventures. A new loan instrument — the European Employment Fund — ought to be given consideration.

Integrated operations

2.4.33. The Committee adopted by a large majority an opinion on the criteria and efficiency of integrated operations. The opinion notes that regional imbalances are still very much in evidence and tending to worsen despite regional policy measures, which are inadequate. Appreciable progress has nevertheless been made through the new ERDF Regulation, and the Committee believed that the attitude shown by the Commission was in favour of integrated operations. In the case of Naples and Belfast, members noted the lack of enthusiasm shown by the local interest groups in marked contrast to the dedication of the Commission officials taking part in these operations. The Committee felt that there should be better understanding between Community, national and local authorities.

Antioxidants

2.4.34. The Committee unanimously adopted an opinion on the proposal for a Council Directive amending for the fourth time the Directive on antioxidants authorized for use in foodstuffs intended for human consumption.¹ The Committee endorsed the proposal, which will put an end to the national waivers and be a small step towards a common market in foodstuffs. The proposal is nevertheless regarded as temporary pending further proposals on additives currently under discussion. The proposal contains a positive list of foodstuffs in which additives can be used and the authorized quantities of those additives as requested by the Committee in its previous opinion.² The Committee also draws attention to the opinion it gave in September³ 'on completing the internal market: Community legislation of foodstuffs',⁴ which stressed the need to ensure that these additives carried no health risk and were technically necessary.

Public supply contracts

2.4.35. The Committee adopted by a large majority an opinion on the proposed Directive⁵ to amend the Council Directive of 21 December 1976 on the coordination of procedures for the award of public supply contracts and deleting certain provisions of the Directive of 22 July 1980. The Committee approved this proposal and referred to its April opinion,⁶ in which it pointed out that the opening up of public contracts to competition was of crucial importance to achieving an internal market. It endorsed, in particular, the provisions that will make it mandatory for contracting authorities to refer to European standards wherever such standards exist. The Committee took the opportunity to insist that these standards should be drafted without delay. It was not convinced, however, that the solutions devised by the Commission would produce the anticipated success; indeed, in the Committee's opinion they were likely to prove as ineffective as the measures hitherto applied unless they were made to attack the funda-

mental deficiency in the system: the basic Directive's lack of credibility because it allows no effective penalties. The Committee therefore proposed that the Commission be given a number of specific powers to impose sanctions sufficiently severe to constitute a real deterrent against temptations to infringe the Directive. In addition to the public contracts group — that the Commission had already decided to set up — empowered to enforce penalties, the Commission should also establish a body competent to hear appeals against such penalties.

RACE

2.4.36. The Committee unanimously adopted an opinion on the proposal for a Council Regulation on Community action in the field of telecommunications technologies (RACE).⁷ This proposal is designed to initiate an innovation effort which will place the telecommunications industry and its dependent service suppliers in a strong position on the world market. The Committee expressly endorsed the proposal, maintaining that telecommunications now plays a decisive role in the development of the Community economy. Moreover, the jobs in the Community that depend on telecommunications exports cannot be safeguarded and increased unless the Community manages to maintain its present, still satisfactory position in this sector, in regard to the United States and Japan.

Aid to shipbuilding

2.4.37. By 88 votes for, 15 against and 5 abstentions, the Committee adopted an opinion on the proposal for a Council Directive on aid to shipbuilding.⁸ The

¹ OJ L 197, 6.8.1986; Bull. EC 7/8-1986, point 2.1.14.

² OJ C 59, 8.3.1978.

³ Bull. EC 9-1986, point 2.4.23.

⁴ Bull. EC 11-1985, point 2.1.18.

⁵ OJ C 173, 11.7.1986; Bull. 6-1986, points 1.2.1 to 1.2.6.

⁶ OJ C 189, 28.7.1986; Bull. EC 4-1986, point 2.4.45.

⁷ OJ C 304, 28.11.1986; Bull. EC 10-1986, point 2.1.44.

⁸ OJ C 281, 7.11.1986; Bull. EC 10-1986, points 1.2.1 to 1.2.6.

Committee did not approve the Commission's proposal because of the deep concern it cause for the future of the Community industry and the jobs it provides. The Committee found that the Commission had not taken into consideration its opinion of 23 April on the guidelines for a Community policy in shipbuilding.¹ It claimed that instead of offering an aid scheme tailored to the objective of safeguarding a slimmed-down and reorganized shipbuilding industry, the proposal made aid policy a condition and an instrument of shipbuilding policy, while not enough thought appeared to have been given to the effects and consequences. The Committee also held that the fixing of a common ceiling on any measures to aid shipyards and the building or conversion of ships presented major drawbacks of a different kind. Finally, the Committee pointed to the absence of any mention of supplementary rescue aid that might be granted, in the event of an emergency, to a company of special strategic or regional importance.

Wine market

2.4.38. The Committee unanimously adopted an opinion approving a proposal for amending the Council Regulation on the common organization of the wine market.² The provisions concerning the allocation of compulsory distillation quantities between the Member States, agreed by the Heads of State and Government in Dublin in December 1984,³ were not fully applied in the first relevant wine year (1985/86). The Committee believed that the possibility provided by the Regulation of using transitional implementing arrangements should be retained for several years and that it would then be possible to establish new, more appropriate, arrangements. Since the Regulation does not affect the aggregate volume of compulsory distillation, the Committee noted that total expenditure eligible for EAGGF refunds will be unchanged.

Brucellosis, tuberculosis and leukosis in cattle

2.4.39. The Committee adopted with just three abstentions an opinion on the pro-

posal for a Council Decision introducing a supplementary Community measure for the eradication of brucellosis, tuberculosis and leukosis in cattle.⁴

Transport infrastructure

2.4.40. The Committee unanimously adopted an opinion on a proposal for a Council Regulation on the granting of financial support to transport infrastructure projects.⁵ The Committee supported the proposal, which provides the legal basis required to make it possible to use the budget funds available for this purpose. It pressed the Council to ensure that where Community assistance is granted, the Member States do not cut down on national resources initially allocated. The Committee regretted, however, that the Council does not have the political will to adopt a coherent longer-term Community policy that would obviate the haggling, year after year, and the scattering of aid, project by project.

ECSC Consultative Committee

260th meeting

2.4.41. The ECSC Consultative Committee held its 260th meeting in Luxembourg on 19 December with Mr Roy Evans in the chair. The Commission representative gave an account of the Commission's activities under the ECSC Treaty. Pursuant to Articles 19 and 46 of the Treaty the Committee delivered its opinion on the forward programme for steel for the first quarter of 1987. It examined trade policy in the steel sector and was given information on the possible adjustment of the Community's energy objectives in the light of recent developments (fall in oil prices and the effects of Chernobyl).

¹ OJ C 189, 28.7.1986; Bull. EC 4-1986, point 2.4.50.

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

³ Bull. EC 12-1984, point 1.2.15.

⁴ OJ C 292, 8.11.1986.

⁵ OJ C 323, 16.12.1986; Bull. EC 11-1986, point 2.1.227.

Forward programme for steel

2.4.42. The Committee delivered its opinion on the forward programme for steel for the first quarter of 1987 (→ point 2.1.46). A good many problems remained to be resolved in connection with the crisis measures, as the forward programme showed. The Committee discussed Mr Scholey's written statement on behalf of the integrated steel undertakings on how to tackle and resolve the problem of surplus production capacity in the Community steel industry. The discussions revealed that the Committee's ideas of the nature of the difficulties differed considerably from those of the Commission.

The need to reduce production capacity is imperative and Eurofer's initiative, although late, tackles the basic problem. Mr Kutscher, the Commission representative, stated that the recent fall in prices was largely due to the lack of discipline within the Community. Other speakers considered that the decline in the market resulted chiefly from unregulated imports at highly subsidized prices.

In the same opinion the Committee unanimously deplored the Council's refusal to transfer appropriations from the general Community budget to the ECSC budget (→ point 2.1.52).

European Investment Bank

Operations in December

2.4.43. In December the European Investment Bank announced loans for investment in the Community totalling 943.2 million ECU¹—606.6 million ECU in Italy, 132.2 million ECU in Spain, 61 million ECU in Ireland, 59.2 million ECU in Portugal, 46.2 million ECU in Belgium, 28 million ECU in the United Kingdom and 11 million ECU in France. Of the total amount, 103.7 million ECU was provided from the resources of the new Community borrowing and lending instrument (NCI).² Outside the Community, the Bank lent 33 million ECU under

the Financial Protocols with two Mediterranean countries and 65.25 million ECU to ACP States under the third Lomé Convention.

Community

Italy

2.4.44. In Italy LIT 876 500 million was lent, including 35 000 million from the NCI resources, to finance a range of projects largely representative of the Bank's overall activity in 1986.

LIT 336 000 million was lent for industrial investments, more than half of it (LIT 176 000 million) for projects involving the use of advanced technology—LIT 100 000 million to SGS Microelettronica for the extension and modernization of an electronic components plant at Agrate, Lombardy; LIT 41 000 million to Snia Fibre for the upgrading of synthetic fibre plants at Cesano Maderno (Milan), Castellaccio (Frosinone) and Naples; LIT 25 000 million to Fatme for the conversion of a plant producing electronic components for telecommunications at Pagani (Salerno) and LIT 10 000 million to Fibre Ottiche Sud for extensions to a factory producing optical fibres for telecommunications at Battipaglia (Salerno).

The remaining LIT 160 000 million was made available to Banco di Napoli, Isveimer, Banca Nazionale del Lavoro/SACAT (Sezione Autonoma per l'Esercizio del Credito Alberghiero e Turistico), Efibanca, Mediocredito Centrale, and, from NCI resources, to Istituto Mobiliare Italiano for the financing of investment by small firms in industry and related services or tourism.

LIT 316 500 million was lent for energy investments—LIT 135 000 million to Ente

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

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

Nazionale per l'Energia Elettrica, comprising LIT 60 000 million for the construction of seven geothermal power stations in Tuscany, LIT 40 000 million for the upgrading of eight hydroelectric power stations in northern Italy, and LIT 35 000 million for reinforcement of the links between the French and Italian electricity grids; LIT 130 000 million to AGIP for the development of three natural gas fields and the construction of a new regional operations centre in the Mezzogiorno; LIT 30 000 million to Esso Italiana for modernization, energy savings and reduction of pollution in an oil refinery at Augusta, Sicily; LIT 20 000 million for conversion to natural gas and extension of the gas distribution network in the Milan area; and LIT 1 450 000 million to Mediocredito Centrale for the financing of small and medium-scale energy investments.

LIT 224 000 million was lent for infrastructure development—LIT 60 000 million for widening of the Rome-Naples motorway, LIT 40 000 million for completion of the bypass linking the A1 and A2 motorways and LIT 8 000 million for reconstruction of earthquake-damaged viaducts on the Naples-Avellino-Bari motorway; LIT 27 000 million for sewage collection and treatment works to reduce pollution in the river Tiber; LIT 89 000 million for a series of projects to be implemented by central and local authorities under the Fondo Investimenti e Occupazione: construction of the initial section of the Naples underground railway system (LIT 15 000 million); strengthening of the civil defence airfleet for fire-fighting and control of marine pollution (LIT 14 000 million); construction of an interchange on the Naples Bypass (LIT 10 000 million, a mole for development of Brindisi harbour (LIT 10 000 million), sewage collection and treatment works to reduce pollution in the river Po (LIT 10 000 million), waste water collection and treatment plants to reduce pollution in the Gorzone basin, Veneto (LIT 8 000 million) and erosion prevention works in Isernia, Molise (LIT 5 000 million); modernization of a cancer research institute in Milan (LIT 6 000 million); industrial and medical research

laboratories at Catania and Milan (LIT 5 000 million); construction of a marina at Pescara, Abruzzi (LIT 4 000 million); and improvement to water supplies in Molise (LIT 2 000 million).

Spain

2.4.45. In Spain the Bank lent some PTA 18 200 million (including PTA 6 800 million from NCI resources) for investments in industry and energy:

(i) PTA 6 800 million in the form of a global loan from NCI resources to Banco de Crédito Industrial, through the intermediary of the Instituto de Crédito Oficial, for onlending mainly in the industrialized regions.

(ii) PTA 2 750 million for construction of a plant producing car windows at Sagunto, near Valencia. Using the most advanced technologies, the project will help to modernize the Spanish car components industry and make it more competitive and will create about 400 jobs in an area of high unemployment that has seen a decline in its local steel industry. Production from the factory will help to meet growing domestic demand, while about 40% is expected to be exported. This was the first direct EIB loan to the private sector in Spain.

(iii) PTA 2 500 million to Automóviles Talbot for modernization of a plant at Villaverde, near Madrid. Investments involve increased automation and computer-aided manufacturing equipment, particularly in the welding, machining, painting and vehicle assembly sections, and upgrading of the computerized control centre.

(iv) PTA 2 000 million to Citroën Hispania will help to modernize the plant at Vigo in Galicia and will go towards increasing automation, rationalization of stamping presses, a new welding shop, improvements in painting processes and a more efficient layout of assembly lines.

(v) PTA 1 400 million for investments by Telettra Española to allow greater specialization of production and to strengthen research facilities in three plants situated in

the less-developed regions of Andalusia at Algeciras and Galicia at la Coruña and in Madrid in an area classified as needing urgent reindustrialization. Investments include introduction of automatic computer-controlled design, manufacturing and testing equipment and development of an integrated computing centre.

(vi) PTA 2 750 million towards the construction of a pumped-storage hydropower scheme on the river Júcar. The project includes two power plants, one with two reversible turbines, with a combined capacity of 856 MW, two reservoirs and a third reservoir downstream to regulate water-flow and help flood control. Power for pumping water into the upper reservoir will come from off-peak electricity at weekends provided by nuclear power stations.

Ireland

2.4.46. In Ireland the Bank lent IRL 61 million to help finance investments in infrastructure and forestry:

(i) IRL 47.5 million went towards improvements to the national road network: IRL 18.5 million for the construction and upgrading of roads (Lucan and Chapelizod bypasses near Dublin, Newtownmountkennedy bypass in County Wicklow, Dock Road in Waterford, Port Road in Manorcunningham in County Donegal) and for a new bridge over the river Shannon in Limerick; IRL 7.5 million for road works to improve traffic flow and safety on the N8, N20 and N25; IRL 3.5 million for construction and widening on sections of the northern and southern ring roads around Cork City and of the eastern approach road at Galway (including a new bridge over the river Corrib); IRL 3 million for Athlone bypass and IRL 15 million for 45 small road improvements.

(ii) IRL 6 million went toward small water supply and sewerage schemes implemented by local authorities throughout the country.

(iii) IRL 4 million went towards improvements in the supply of treated water (at Drogheda and Mullingar) to increase the

area connected to public sewers and build treatment works at Fermoy and Listowel.

(iv) IRL 3.5 million will be used for afforestation and associated forestry investment at various locations throughout the country.

Portugal

2.4.47. In Portugal the Bank lent ESC 4.5 million from NCI resources for small and medium-scale investments in industry and energy. The funds were in the form of a global loan to Banco de Fomento Nacional, which will arrange onlending for investments in industry and related services, energy-saving and environmental protection selected in agreement with the Bank.

A loan of ESC 4 400 million was granted to increase hydroelectric and thermal electricity generating capacity, strengthen the electricity transmission and distribution network, and install automated remote-control equipment on the island of Madeira. The project concerned will enable the expected increase in demand to be met, in particular by increasing the capacity of the Calheta hydroelectric power station, thereby using a local source of energy and reducing the dependence on oil. In addition, a thermal power station with two 10 MW diesel generating sets will be constructed on the coast close to the existing Vitoria power station (60 MW). Four further generating sets will eventually be added. Other installations will include medium-voltage (30/60 kV) transmission lines, four substations for rural electricity supplies, 30 distribution transformers and improvements to remote-control equipment and load-dispatching facilities.

Belgium

2.4.48. In Belgium the Bank advanced BFR 2 000 million to the Philips group for the extension and automation of a factory producing compact disc readers at Hasselt (Province of Limburg, a priority conversion area). The factory is Philips's sole centre for the production of CD readers. Its world leadership in the manufacture of this prod-

uct is based on the use of such advanced technologies as laser opto-electronic read-out and digital signal processing, whose many applications include video disc systems and optical storage memory systems.

United Kingdom

2.4.49. A total of UKL 20 million was granted in the United Kingdom for infrastructure projects:

(i) UKL 10 million towards modernization and expansion of the electricity supply network in Northern Ireland to support the economy of this assisted region by making the system more reliable and to meet the growing demand. The works include improvements to the transmission and distribution network, the installation of remote controls in the distribution centres and the development of computerized processes as part of a wider programme including in particular the conversion of Kilroot power station to a combined system of coal and oil firing.

(ii) UKL 6 million towards the installation of a technologically advanced broadband cable network to serve some 128 000 domestic, industrial and commercial users in Glasgow, including the business centre and Clydebank Enterprise Zone. The scheme will provide TV and radio as well as interactive commercial and business services, such as access to data banks, video information, electronic mail, home banking and, in the longer term, high-speed data transmission and advanced telecommunications for business users which will help to stimulate economic productivity.

(iii) UKL 4 million for the construction of an airport near the City of London to improve communications within the United Kingdom and with other Member States. The airport is to be built in the old Royal Docks, about 10 km east of the City, and is designed for specialized short take-off and landing aircraft of the quietest types. It should be able to handle 1.2 million passengers a year.

France

2.4.50. A total of FF 75 million was lent in France for small firms in Languedoc-

Roussillon. Under the terms of its cooperation arrangements with the various regional development corporations, the Bank lent the funds in the form of a new global loan to Sodler for investments in industry, tourism and services selected in agreement with the Bank in areas of the department of Hérault receiving regional development aid.

Outside the Community

Mediterranean

2.4.51. The Bank granted a loan of some 20 million ECU from budgetary funds to Turkey under the 1973 Supplementary Protocol to the second EEC-Turkey Financial Protocol. The Supplementary Protocol, which had not hitherto been implemented, provided for a specific contribution for the then new Member States (Denmark, Ireland and the United Kingdom) to bring their aid into line with that of the original Member States. The loan went towards a hydroelectric project on the river Peri in the upper part of the Euphrates basin, in eastern Anatolia, involving the construction of a rock-fill dam for a 1 075 million cubic metre reservoir and a power station with two 80 MW generating units, scheduled to be commissioned in 1992. Electricity produced by the plant, which will use local energy resources and reduce dependence on energy imports, is expected to be equivalent to about 200 000 tonnes of oil a year.

2.4.52. In Malta the Bank lent 13 million ECU to strengthen and expand the country's telephone and telex system by over 50%. The loan completed the first Financial Protocol between the Community and Malta. Efficient telecommunications are particularly important for tourism and international business, both vital to the island's economic development. Local and international exchanges on Malta are operating at near-full capacity and constant growth in demand has led to a large backlog in the installation of new lines.

ACP States

2.4.53. Under the third Lomé Convention the Bank granted loans of 55 million ECU from its own resources and 11.25 million ECU from risk capital in eight ACP States.

2.4.54. A loan of 17 million ECU to Papua New Guinea will go towards the construction of a dam with a capacity of 320 million cubic metres and the installation of two new generating sets with a unit capacity of 15 MW at the Ramu power station in the centre of the country, increasing its capacity from 45 MW to 75 MW. By improving the storage of rainwater in this area of particularly high rainfall (2 100 mm per year), the project will provide the most efficient means of coping with the expected increase in electricity consumption, in particular without any additional need for oil.

2.4.55. A loan of 17 million ECU in Ghana went towards extending and improving the high-voltage electricity transmission system serving the centre and north of the country as far as the border with Burkina Faso. The project concerns improvements to the interconnected grid in the south of the country, its extension to the towns of Techiman, Tamale and Bolgatanga, and improvements to the distribution network. It will help to reduce losses and improve capacity for transmitting electricity to Côte d'Ivoire and will enable electricity to be supplied to the regions in the centre and north of the country.

2.4.56. In Mauritius the Bank lent 10.5 million ECU, including 1.5 million ECU from risk capital in the form of quasi-capital, for the construction of a textile weaving and finishing mill. The new mill will comprise a semi-integrated unit producing cotton and polyester cotton fabrics. The plant will weave 5.5 million linear metres from yarn and should also work on imported yarn, chiefly from the Cotona company (Antsirabé, Madagascar). The project will cut back imports and supply mainly the local market; it is a shining example of regional cooperation between ACP States in line with the spirit of the Lomé Convention.

2.4.57. The Bank lent 5 million ECU in St Lucia, including 2 million ECU from risk capital, for the construction of a diesel thermal power station with an initial 5 MW diesel set and erection of an overhead line, about 100 km long, around the island's eastern and western coasts. The project is designed to allow for subsequent installation of two further 5 MW diesel sets followed by additional units, as required, in line with development of geothermal energy to supplement power from the new diesel station.

2.4.58. The Bank granted a loan of 4.5 million ECU to Côte d'Ivoire for the modernization of a corrugated paperboard factory at Abidjan. The project to be financed aims at increasing production capacity and diversifying the range of packaging produced so as to meet local demand in terms of quality and quantity both for packaging for exports of fruit and for industrial products and everyday consumer articles. The present factory, which has an annual capacity of 40 000 tonnes of paperboard and is located in the old harbour, will be transferred to the industrial area of Yopougon. As well as reducing costs the new facilities will increase nominal capacity to 60 000 tonnes and diversify the product range to include thinner corrugated paperboard.

2.4.59. The Bank granted 4.5 million ECU, including 1 million ECU from risk capital, in Fiji for the modernization of a sawmill and timber-processing plant, and for the construction of a new sawmill. The funds were made available to Fiji Forest Industries (FFI), which is modernizing a sawmill and veneer and plywood mills and constructing a new kiln-drying facility at the Malau complex on the island of Vanua Levu. On the main island, Viti Levu, the company will be constructing a new mill at Galoa in an area where it has large indigenous forest concessions. These schemes will raise FFI's annual production capacity from 48 000 to 78 000 cubic metres by 1990, the bulk of this consisting of sawn timber (65 000 cubic metres), while input of logs to the mills will increase from 80 000 to

140 000 cubic metres. The project will increase use of Fiji's natural resources.

2.4.60. A loan of 3.5 million ECU from risk capital was made in Lesotho for geotechnical investigations connected with the hydropower component of a project for harnessing water resources in the highland regions of the country. The engineering studies will determine the most appropriate size and type of power plant, assess the impact on the environment and provide technical assistance; it will include borings and field and laboratory tests as well as soil and rock investigations at altitudes of between 1 600 and 2 000 metres. These studies are aimed at developing the indigenous resources of an ACP State which cur-

rently meets all its energy requirements through imports.

2.4.61. A loan of 3.25 million ECU from risk capital was provided in Madagascar to help modernize a textile mill with a view to exploiting local cotton production at Mahajanga, the main town in the north-west of the island, some 600 km from the capital. This subordinated loan will be made available to Société Textile de Mahajanga (Sotema) in the form of a shareholder's advance. Sotema, a semi-public company, is one of the country's two leading textile concerns. Over 80% of its annual production of 30 million metres of fabric is sold on the local market. The scheme involves the installation of new looms and equipment incorporating more modern technology.



PART THREE
DOCUMENTATION

1. ECU

Values in national currencies of one ECU

31 December 1986 ¹	
Belgian franc and Luxembourg franc (convertible)	43.2325
Belgian franc and Luxembourg franc (financial)	43.6928
Danish krone	7.86192
German mark	2.07610
Greek drachma	148.526
Portuguese escudo	156.382
French franc	6.87503
Dutch guilder	2.34488
Irish pound	0.764828
Italian lira	1 446.19
Spanish peseta	141.151
Pound sterling	0.724942
United States dollar	1.07038
Swiss franc	1.73562
Swedish krona	7.25181
Norwegian krone	7.91812
Canadian dollar	1.47766
Austrian schilling	14.6128
Finnish mark	5.12978
Japanese yen	171.046
Australian dollar	1.61080
New Zealand dollar	2.02915

¹ OJ C 2, 6.1.1987.

NB. Explanatory notes on the ECU and 'green' rates can be found in Bull. EC 7/8-1982, points 3.1.1 to 3.1.3, and Bull. EC 10-1984, point 3.1.1.

Representative rates ('green' rates)

Conversion rates into national currencies for the ECU used in connection with the common agricultural policy

December 1986	
National currency	Value in national currency of one ECU
Belgian franc and Luxembourg franc	47.3310 ¹
	46.8712 ²
Danish krone	8.58163 ¹
	8.54064 ²
German mark	2.41047 ³
	2.39792 ⁴
	2.38516 ⁵
Greek drachma	116.673
	130.674 ⁶
French franc	7.31248 ³
	7.54546 ⁸
	7.20771 ⁹
	7.20131 ¹
	7.09967 ²
Portuguese escudo	153.283 ⁷
	151.812 ²
Irish pound	0.817756 ¹
	0.782478 ²
Italian lira	1 539.00 ¹⁰
	1 554.00 ⁵
Dutch guilder	2.71620 ³
	2.70178 ⁴
	2.68749 ⁵
Spanish peseta	147.208 ¹
	145.796 ²
Pound sterling	0.654044 ⁸
	0.635626 ¹
	0.626994 ²

¹ For livestock products.

² For crop products.

³ For milk and milk products.

⁴ For cereals.

⁵ For other products.

⁶ For sheepmeat with effect from 29 December.

⁷ For sheepmeat and goatmeat.

⁸ For pigmeat.

⁹ For wine.

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 2.1.74

Commission Decision of 29 July 1986 on a proposal by the Belgian Government to grant aid for investments by a flat-glass producer at Auvélais
OJ L 342, 5.12.1986

Bull. EC 10-1986

Point 2.1.53

Proposal for a Council Decision modifying Council Decision 83/624/EEC concerning a plan for the transnational development of the supporting infrastructure for innovation and technology transfer
OJ C 335, 30.12.1986

Point 2.2.51

Proposal for a Council Decision determining the general guideles for 1987 concerning financial and

technical aid to Latin America and Asian developing countries

JO C 317, 10.12.1986

Point 2.4.44

Resolution of the ECSC Consultative Committee on the drawing up of the ECSC operational budget for 1987

OJ C 326, 19.12.1986

Point 2.4.45

Resolution of the ECSC Consultative Committee on the restructuring of the iron and steel industry and organization of the steel market as from 1 January 1987

OJ C 326, 19.12.1986

Bull. EC 11-1986

Point 2.1.162

Resolution of the representatives of the Governments of the Member States of the European Communities, meeting within the Council of 24 November, regarding the protection of animals used for experimental and other scientific purposes

Council Resolution of 24 November, on the signature by the Member States of the European Convention for the protection of vertebrate animals used for experimental and other scientific purposes

OJ C 331, 23.12.1986

3. Infringement procedures

Initiation of proceedings for failure to implement directives

3.3.1. In December the Commission sent letters of formal notice for failure to inform it of national implementing measures to give effect to directives in the following case:

Customs union and indirect taxation

Commission Directive of 14 October 1985¹ amending the Commission Directive of 4 November 1977 laying down detailed rules for implementing certain provisions of Directive 76/308/EEC on mutual assistance for the recovery of claims resulting from operations forming part of the system of financing the European Agricultural Guidance and Guarantee Fund, and of agricultural levies and customs duties² (Belgium, Denmark, Greece, France, Ireland, Italy, Luxembourg, United Kingdom).

3.3.2. The Commission sent letters of formal notice for failure to comply with a judgment of the Court in the following two cases:

Agriculture

Regional aid in Sicily to the wine-growing, tomato and durum wheat-producing sectors (Italy).

Transport

Application for authorization to carry out combined transport operations (Italy).

Reasoned opinions

3.3.3. The Commission delivered reasoned opinions in the following eight cases:

Internal market

Technical standards (Italy).

Difficulties involved in importing flat glass (Greece).

Agriculture

Excessively long delays in carrying out animal and plant health checks at the Modane border post (Italy).

Purchase of substandard durum wheat from the 1982 harvest (Greece).

Fisheries

Overfishing in 1983 and 1984 (Netherlands).

Overfishing in 1985 (Netherlands).

Inconsistency with Community legislation of the Fisheries Amendment Act 1983 (Ireland).

Customs union and indirect taxation

Bank charge for checking on imported products (Greece).

¹ OJ L 285, 25.10.1985.

² OJ L 333, 24.12.1977.

4. The Bulletin in 1986: special features, supplements and documentation

Economic and monetary policy

Programme for the liberalization of capital movements in the Community: Bull. 5, point 1.2.1 *et seq.*

Western Economic Summit in Tokyo: Bull. 5, point 1.3.1 *et seq.*; Declarations and statements by the seven Heads of State or Government and the representatives of the European Communities: Bull. 5, point 3.4.1.

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