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Robert Marjolin

Robert Marjolin died in Paris on 15 April at the age of 75. An internationally renowned economist and a member of the Institut de France, he played an important role in the economic reconstruction of France after the Second World War as Director of External Economic Relations in the Ministry of Economic Affairs and as Jean Monnet's deputy at the Commissariat général au Plan. In 1948 he became the first Secretary-General of the OEEC, a key position in giving effect to the Marshall Plan for economic recovery in Europe.

Marjolin took a major part in the negotiations on the Rome Treaties in 1956-57, and in 1958 he was appointed Vice-President of the EEC Commission with special responsibility for economic and financial matters. He left the Commission on 30 June 1967, at the same time as Walter Hallstein.

In December 1978 he was appointed to the Committee of Three Wise Men (the other two being Barend Biesheuvel and Edmund Dell) which was asked by the European Council to consider adjustments to the mechanisms and procedures of the Community institutions.





PART ONE
SPECIAL FEATURES

Bulletin information service

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References in text and footnotes

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

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

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

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

1. The Community's present financial situation

1.1.1. On 25 and 26 March, at Val Duchesse château on the outskirts of Brussels, the Commission held a special meeting largely devoted to budgetary matters. The difficulties at issue go far beyond the accounting aspects of the Community's present situation, since they determine its ability to meet its commitments, especially as regards agriculture and the structural Funds, and to implement new policies and measures. The Commission's discussions were therefore essentially political in nature.

On the basis of its deliberations at this special meeting, the Commission adopted two documents, to be sent to the budgetary authority, in which it emphasized the need for a supplementary and amending budget for 1986. These were:

(i) a communication on the financial perspective 1987-90;¹

(ii) a report on structural measures in 1986.²

After discussing these documents with the Council (→ point 2.3.6) and Parliament (→ point 2.4.13), the Commission adopted the preliminary draft supplementary budget for 1986 and the preliminary draft budget for 1987 on 30 April (→ point 1.2.1 *et seq.*; points 2.3.2 to 2.3.5).

Communication on the financial perspective 1987-90

1.1.2. This four-year budget programme is intended to help develop the structure of the Community budget in a way which furthers the achievement of the most important Community objectives. Such a programme is more necessary than ever, because in the medium term the Community budget can be expected to increase only by relatively moderate amounts from year to year. If substantial progress towards Community goals is to be achieved, these changes must be concentrated in priority areas so that, taken together over a period, they can produce significant developments.

The budgetary background

1.1.3. Budgetary developments in past years in certain key areas are now imposing serious constraints on the development of Community policy. The need to manage agricultural stocks in the face of more realistic world market prices has now revealed the full cost of the existing agricultural policy.

In the Community's structural Funds there has been an unprecedented build-up of commitments to be settled in recent years (→ points 1.1.8. to 1.1.10). This is partly the result of a conscious decision to increase the role of the Funds, but it has been greatly reinforced by the slower than expected implementation of the projects contracted, and by the lack of payment appropriations granted by the budgetary authority. Irrespective of the reason, the outstanding contractual commitments must be honoured through a substantial increase in payment appropriations in the coming years.

In parallel with this increase in outstanding payment claims, total expenditure in the Community exceeded the 1% VAT ceiling in 1984 and has gradually increased since then. This is due partly to EAGGF expenditure and partly to the correction of budgetary imbalances. Taking into account the finance provided through intergovernmental agreements in 1984 and 1985, the VAT rate has been well over 1% in both years.

Taken together, these developments mean that explicitly or implicitly the additional own resources given to the Community by the increase in the VAT ceiling to 1.4% were already substantially exhausted by the time they entered into force at the beginning of this year.

Need for a supplementary and amending budget for 1986

1.1.4. This description of the Community's present budgetary situation dem-

¹ COM(86) 201 final.

² COM(86) 202 final.

onstrates that a supplementary and amending budget for this year is absolutely essential. This budget will be to cover expenditure arising from the common agricultural policy (following the fall in the dollar), the structural Funds and additional repayments to Member States (especially the United Kingdom). It could be covered by present own resources and would enable a budget to be adopted for 1987 which would also be within the own resources ceiling (1.4% of VAT). From 1988 onwards, however, the available resources within the 1.4% limit will no longer be sufficient. The Commission will then propose, as had been envisaged at the Fontainebleau European Council,¹ an increase in the rate to 1.6% from 1 January 1988.

The financial perspective 1987-90

1.1.5. The period from 1987 to 1990 will be characterized, on the resources side, by an underlying rate of increase approaching 6%. On the expenditure side, it will see the gradually increasing participation of Spain and Portugal in Community policies and the reshaping of the budget in an attempt to ensure that priority political commitments at least are achieved. This will inevitably involve the postponement of some actions arising from past commitments.

Resources within the 1.4% VAT limit

1.1.6. Total resources available within the 1.4% VAT limit are expected to increase from about 39 830 million ECU in 1987 to 47 080 million ECU in 1990, an average annual increase of 5.7%. As average GDP growth is 5.9% per year, own resources will take a smaller share of GDP.

In 1987 about 2 400 million ECU, i.e. 6% of resources, will have to be set aside for the correction of budgetary imbalances. Allowing for this, net available revenue should increase from 37 430 million ECU in 1987 to about 43 900 million ECU in 1990, an average annual rate of increase of 5.4%. Were the Community to stay below the 1.4% threshold, the share of its budget in

the Community's GDP for 1987-90 would fall considerably.

Expenditure

1.1.7. The main feature of expenditure between 1987 and 1990 will be as follows:

(i) gradual realization of the Commission's plans for the future of agriculture in the Community: the expenditure figures for the EAGGF Guarantee Section have been calculated according to the EAGGF financial guidelines for budget discipline;²

(ii) a substantial increase in appropriations allocated to research;

(iii) structural expenditure showing a cautious increase in terms of commitments, subject to the gradual stabilization of the cost of the past in payment;

(iv) increased expenditure on various policies in Spain and Portugal and a corresponding reduction in automatic repayments;

(v) finally, a provision to cover new policies and actions: this is essential for the development of the Community because none of the existing policies has any room for manoeuvre beyond objectives already laid down by the Community institutions, so any new initiative must be financed from this provision.

Total appropriations for payments required will increase from 36 843 million ECU in 1987 to about 45 500 million ECU in 1990 and total appropriations for commitments will increase from 38 188 million ECU to about 47 100 million ECU, an average annual rate of 7.3%.

Report on structural measures in 1986

1.1.8. The report on structural measures³ in 1986 shows that the Community is facing

¹ Bull. EC 6-1984, point 1.1.9 (section 2).

² Bull. EC 12-1984, point 1.3.1 *et seq.*

³ Structural Funds (EAGGF Guidance Section, Social Fund, Regional Fund) and integrated Mediterranean programmes.

serious difficulties in the operation of the structural Funds, largely because the budgetary authority failed to respect the balance between commitments and payments proposed by the Commission in its preliminary draft budget for 1986.¹ The Commission therefore feels that supplementary appropriations are necessary to safeguard the proper functioning of the structural Funds and intends to propose an increase in the allocation of appropriations to these Funds as part of a preliminary draft supplementary and amending budget for 1986.

Situation in 1986 — problems and causes

1.1.9. The shortfall in payment appropriations will be 1 169 million ECU (176 million ECU for the EAGGF Guidance Section, 500 million ECU for the Social Fund, 493 million ECU for the ERDF).

The main reasons for the problem are as follows:

- (i) The budgetary authority did not respect the balance between commitment and payment appropriations proposed by the Commission in its preliminary draft budget for 1986. In fact, it refused 441 million ECU (6%) of the Commission's proposal for commitments and 896 million ECU (15%) of its proposals for payments.
- (ii) The extent to which Spain and Portugal would make use of the possibility for obtaining advances and accelerated payments in the Regional Fund was underestimated in the preliminary draft budget for 1986.
- (iii) The estimate of repayments under the EAGGF Guidance Section indirect measures must be revised upwards to take into account implementation of the 1985 budget and the latest information supplied by the Member States.

The most satisfactory solution and possible alternative solutions

1.1.10. The most satisfactory solution to the problem of insufficient payment appro-

priations would be to make available the corresponding amount of supplementary appropriations. The proper working of the structural Funds would then be safeguarded, problems for subsequent years would be avoided, and an important step would be taken towards achieving the necessary long-term balance between commitments and payments.

Nevertheless, because of the limited margin of own resources (1.4% VAT) and competing demands from the EAGGF Guarantee Section and compensation for certain Member States, the Commission might usefully cooperate with the Council and Parliament to find a solution which may not be the most satisfactory one.

In presenting the results of its second reading of the 1986 budget,² the Council asked the Commission 'to use the maximum of flexibility for assuring the proper functioning of the [structural] Funds'. In response to this request, the Commission has identified two possibilities:

- (i) variation of the amounts and the timing of commitments,
- (ii) variation of payments either by deliberately delaying the execution of requests or by setting the amount of advances and accelerated payments at a lower level than asked for by the Member States.

Both possibilities are unsatisfactory in that the problem is not solved but only held over from one year to another. Moreover, any variation of commitments or payments is liable to be arbitrary and artificial. In any event, there would be a danger that any large-scale use of solutions of this type would be incompatible with the proper operation of the Funds.

The Commission believes that the problem is best approached as part of a medium-term strategy. In such a strategy, there could be scope for the three institutions to agree on the politically appropriate development

¹ Bull. EC 6-1985, points 1.6.7 to 1.6.14.

² Bull. EC 11-1985, point 2.4.3.

of commitments having regard to the political declarations concerning increases in structural Funds and the integrated Mediterranean programmes, and of the necessity for budgetary restraint for the coming years. The total volume of payments is, in a me-

dium-term strategy, an automatic consequence of the decisions on commitments. Since this is an unchangeable fact it should also be possible to find an agreement on the most appropriate pattern of these payments during 1986-90.

2. Preliminary draft supplementary and amending budget for 1986 and preliminary draft budget for 1987

Political presentation by the Commission

1.2.1. On 30 April the Commission adopted two preliminary draft budgets—a supplementary and amending budget for 1986¹ and the budget for 1987²—for transmission to the budgetary authority.

The main feature of these two proposals is the binding obligation to remain within the 1.4% VAT limit on the revenue side. The two proposals are logically connected since the 1987 budget has been prepared on the assumption that there will be a supplementary and amending budget for 1986. It will not be possible to remain within the 1.4% VAT limit in 1987 unless the budgetary authority accepts the supplementary budget for 1986 (→ points 2.3.2 to 2.3.5).

Preliminary draft supplementary and amending budget No 1/86

1.2.2. The purpose of preliminary draft supplementary and amending budget No 1/86 is to:

(i) increase the appropriations for the structural Funds and for the EAGGF Guarantee Section to cover, as far as available own resources permit, the additional requirements resulting respectively

from the cost of the past and the change in agricultural market situations; the VAT/GNP refunds for the two new Member States must also be adjusted as a result;

(ii) adjust the amount of the correction of budgetary imbalances in respect of 1985.

It should also be pointed out that the proposal, which is in keeping with Parliament's resolution of 13 March 1986 on the budgetary policy of the European Communities:³

(i) is drawn up on the basis of the budget declared adopted by the President of Parliament;⁴ the final judgment by the Court of Justice in Case 34/86 *Council v Parliament*⁵ may make it necessary to present a letter of amendment to this preliminary draft supplementary and amending budget;

(ii) completely takes up the own resources available within the 1.4% VAT limit;

(iii) modifies only the statement of expenditure; the VAT base and traditional own resources remain unchanged;

(iv) covers only some of the additional requirements; own resources within the 1.4% VAT limit are insufficient to cover all the requirements.

¹ COM(86) 225.

² COM(86) 200.

³ OJ C 88, 14.4.1986; Bull. EC 3-1986, point 2.4.5.

⁴ OJ L 358, 31.12.1985; Bull. EC 12-1985, point 2.4.1.

⁵ OJ C 63, 18.3.1986.

Preliminary draft budget for 1987

Political context

1.2.3. Despite the constraints on resources which weigh upon the Community budget, the Commission wishes the preliminary draft 1987 budget to reflect its confidence in the building of the European Community and its will to develop a Europe with clearly defined priorities.

At the same time, the budgetary authority should regard the 1987 preliminary draft as an amber light. The Commission would caution the budgetary authority against the temptations of basing decisions concerning the size and structure of the budget only on artificial constraints deriving from arithmetical hypotheses and by reference to a single financial year in isolation without regard to its medium-term political impact.

Such an attitude on the part of the budgetary authority would inevitably create a serious financial and political crisis for the Community.

Furthermore, since it wishes to present a 1987 preliminary draft budget which respects the own resources ceilings as far as possible, the Commission is presenting at the same time a preliminary draft supplementary and amending budget for 1986 which will determine whether it is possible to stay within the 1.4% VAT limit in 1987.

In order to provide a more coherent and efficient framework for organizing the medium-term development of the structure of the Community budget so as to facilitate achievement of the Community's most important objectives, the Commission has, for the first time, prepared the preliminary draft budget in accordance with the financial perspective 1987-90 which it adopted on 2 April (→ points 1.1.2 to 1.1.7).

1.2.4. Since there is a danger that the Community will soon face once again the question of how to finance the budget, the Commission considers that the presentation of its 1987 preliminary draft budget is the right time to announce that, in accordance with the conclusions of the Fontainebleau European Council on 25 and 26 June 1984,¹ during 1986 it will produce a report on:

- (i) the results of budgetary discipline;
- (ii) the Community's financial needs;
- (iii) the division of the budget burden among the Member States, with regard to their relative levels of prosperity and the consequences for the application of budgetary corrections.

1.2.5. The 1987 preliminary draft also gives the Commission an opportunity to recall that the principal feature of the European Community is that it is based on law, and so must honour its commitments. If it does not, its political and legal legitimacy will be undermined both inside and outside the Community.

The Commission considers that the Community's existing legal obligations and political undertakings should be honoured come what may, particularly in the budget.

The Commission also believes that Community policies must be based on priorities which reflect their inherent merits. The financial perspective is intended to help define the priorities and assist in their implementation.

Naturally, the Commission maintains its position on the financial guideline for the common agricultural policy,² since there is no alternative to bringing spending on agriculture under control.

The Commission would emphasize at the outset that, if that objective is to be achieved, further measures will be needed to cover real needs for expenditure in areas other than the EAGGF Guarantee Section. The Commission is still convinced that mechanical application of the budgetary discipline mechanism based on the 1984 Council Decision² runs counter to the spirit of promises to stimulate renewed development of the Community and implement existing policies.

The Commission would therefore caution the budgetary authority against precipitating a crisis arising solely from financing issues, since such a crisis would be pointless and threaten the existence of the Community and its ability to go beyond the economic, social and political problems which confront it today.

1.2.6. The Commission is determined to bring much stricter budgetary management into the Community, since this will enable policies to be implemented more efficiently and expenditure to be better organized.

With this in mind, the Commission produced for the first time a four-year financial perspective 1987-90 (→ points 1.1.2 to 1.1.7), fully aware of the need to place the medium-term development of the Community budget in a financial context which will facilitate the achievement of priorities and ensure that existing commitments can be honoured.

¹ Bull. EC 6-1984, point 1.1.9 (section 1).

² Bull. EC 12-1984, point 1.3.1 *et seq.*

The Commission would make it clear that there was no question of drawing up a financial perspective solely on the basis of budgetary restrictions, since such an approach would be quite worthless from the point of view of policy evaluation.

Similarly, the Commission is determined that the Community's obligations and undertakings should be honoured. This medium-term financial programming exercise should ensure that this is achieved, while permitting rigorous monitoring of payments and the size of the budget.

1.2.7. The Commission considers that the Community's commitments can be divided into four categories:

(i) those which, although politically binding, arise from declarations such as those of the European Council on stepping up the Community's role in research and development and providing real growth in the structural Funds;

(ii) political commitments which arise from a legal instrument setting up a Community programme to be carried out over several years, for example the five-year financial allocation for the EAGGF Guidance Section and multiannual research programmes;

(iii) commitments arising directly from legally binding Community instruments, such as common agricultural policy regulations, the repayment of 10% of traditional own resources to the Member States and the financial allocation for the integrated Mediterranean programmes;

(iv) commitments which impose legal obligations on the Community, such as salaries, rents, commitment appropriations remaining for the structural Funds, financial protocols with non-member countries, etc.

The Commission is aware that, in these circumstances, the political choice between an unavoidable short-term increase in the funds required, the need to encourage new policies for the development of the Community and the renegeing on commitments clearly entered into is difficult.

It would state unequivocally, however, that sound financial management is incompatible with merely postponing payments due.

The Commission believes that such behaviour would be irresponsible both financially and politically, since the Community would be unable to meet legal commitments which it had already taken on and because the situation would snowball, forcing the Community to limit still further its choices about how it should develop in future.

1.2.8. Accordingly, the Commission would remind the budgetary authority of its legal and political responsibility to provide the appropriations needed to meet the four types of obligations identified above.

It is true that the budgetary authority has some room for manoeuvre in spreading actual payments over a number of years. It may not, however, avoid honouring the Community's obligations by cancelling or changing them. It must follow the basic principles of sound financial management, the most important of which is the need to honour debts contracted.

Naturally, Community bodies which have negotiated the existing obligations may seek to amend them and redefine them in the light of the Community's new priorities.

The budgetary authority is not, however, entitled to carry out this redefinition, since the budget cannot stand in place of the Community's regulations and legislation. Nor is it the responsibility of the Commission to redefine policies; its main task in preparing the preliminary draft budget is to forecast as accurately as possible the financial resources required to meet the Community's obligations and priorities as defined elsewhere, and in particular by the European Council.

The Commission therefore believes that a medium-term financial perspective clearly reflecting the consequences of decisions taken must be drawn up in order to develop a coherent framework of obligations and commitments.

Factors determining the shape of the 1987 budget

1.2.9. On the basis of the political context outlined above, five basic considerations underpin the preliminary draft budget for 1987:

The binding obligation to remain within the limits laid down in the Decision on new own resources which took effect on 1 January 1986

1.2.10. This is the main feature of the 1987 budget; it is already evident that considerable effort will be needed to remain within the 1.4% VAT limit.

As result, the hallmark of the 1987 budget is that it will henceforth be a revenue budget and not an

expenditure budget—as was still the case in recent years. Consequently, priorities have to be set on the basis of certain key objectives, implying a choice among desirable policies, and this means that the appropriations allocated to some other policies will have to be reduced. In any other circumstances, a reduction of this kind would be considered very unsatisfactory.

1.2.11. As the Commission has clearly demonstrated in its financial perspective, the explicit and implicit depletion of own resources above the 1% level in fact occurred several years before the Decision on the increase to 1.4% VAT for the Member States paying the highest rate entered into force.

The simulated VAT rates for the years 1983 to 1985 show that the correction of budgetary imbalances, a yearly depreciation of the increase in agricultural stocks and actual payment of outstanding structural commitments would have implied a considerably higher VAT ceiling than 1% from 1983 onwards, i.e. four years before the 1.4% ceiling entered into effect.

The 1.4% rate would in fact have been reached in 1985 if the real costs of current policies had been taken fully into account.

The Commission would point out that this was the background to the decision to call for inter-governmental advances.

1.2.12. That is why the Commission—as it has already indicated at the beginning of this introduction—will be presenting this year, i.e. a year before the new 1.4% VAT ceiling is reached, the report requested by the Fontainebleau European Council on the different questions involved in the financing of the Community.

The Commission's decision to place the annual budget exercise in the context of a four-year financial perspective

1.2.13. The Commission's communication to the Council and Parliament on the four-year financial perspective 1987-90 meant that the preliminary draft budget for 1987 had to be prepared with a view to the organization of expenditure so that the Community's budget could ultimately be placed on a sound footing. In particular, it is essential to bring under control the growing burden on the budget of rising agricultural stocks and outstanding commitments, mainly arising from the three major structural Funds (→ points 1.1.8 to 1.1.10).

The need for a minimum margin of manoeuvre within the limit of available own resources

1.2.14. The purpose of this margin of manoeuvre is to make it possible in 1987 to cope with:

- (i) variations in certain external factors (such as the dollar rate and world prices), which can have a considerable impact on the Community's own resources and expenditure;
- (ii) a probable adjustment of the amount of the correction of budgetary imbalances, due to the increase in the United Kingdom's VAT share for 1986; this would involve the presentation of a letter of amendment at some time during the budgetary procedure;
- (iii) the desire to respect as far as possible Parliament's margin of manoeuvre to enable it to exercise its rights under Article 203 of the Treaty (increase of non-compulsory expenditure by up to half the maximum rate, i.e. 8.1%), assuming that the Council takes over the entire preliminary draft as its draft budget.

The link between the preliminary draft supplementary and amending budget for 1986 and the structure of the 1987 preliminary draft

1.2.15. So that the 1987 preliminary draft budget will remain within the own resources ceiling (1.4% VAT rate), the Commission is presenting at the same time a preliminary draft supplementary and amending budget for 1986 using the margin still available within the 1.4% VAT rate (2 517 million ECU).

A new nomenclature

1.2.16. While preserving budget transparency, the number of headings in the 1987 budget has been reduced in the following way:

- (i) some headings have been merged for simplification;
- (ii) the nomenclature of the headings relating to studies has been altered;
- (iii) a large number of headings carrying only a token entry have been deleted.

Conclusions

1.2.17. The preliminary draft budget for 1987 can be summarized as follows:

Table 1 — *Preliminary draft budget for 1987*

	<i>(million ECU)</i>		
	1986 budget	1986 supplementary and amending budget	1987 preliminary draft
1. Revenue available	37 810.2	37 810.2	39 346.7
2. Correction of budgetary imbalances (gross expenditure equivalent)	1 978.2	2 684.7	2 366.4
3. Net revenue available (= 1 - 2)	35 832.0	35 125.5	36 980.3
4. Expenditure			
(a) Other institutions	355.3	555.3	602.0 ¹
(b) Part A Commission	1 047.9	1 047.9	1 163.8
(c) Part B Commission (without repayment to Spain/Portugal)	30 051.4	31 716.5	33 639.0
(d) Repayment to Spain/Portugal (Art. 860)	1 660.2	1 805.8	1 272.6
(e) Total expenditure (a + b + c + d)	33 314.8	35 125.5	36 677.4
5. Available margin (3 - 4)	+ 2 517.2	+ 0.0	302.9

¹ 1987 hypothesis = 1986 budget + 8.1% (maximum rate of increase).

If account is taken of the amount of the correction of budgetary imbalances for the United Kingdom, the VAT call-in rate is 1.3837%.

It is 0.8176% for the United Kingdom and 1.3296% for Germany.

Without any correction of budgetary imbalances, the VAT rate applicable to all Member States—with the exception of Portugal, which is paying a financial contribution—would be 1.2563%.

3. Socio-structural measures in agriculture

Commission proposals

1.3.1. The socio-structural proposals for agriculture,¹ supplementing those on prices and related measures,² were presented to the Council on 22 April by Mr Frans Andriessen, the Commission Vice-President with special responsibility for agriculture. These proposals amend Regulations No 797/85 of 12 March 1985,³ No 270/79 of 6 February 1979,⁴ No 1360/78 of 16 June 1978⁵ and No 355/77 of 15 February 1977,⁶ and their purpose is to adjust agriculture to the new market situation and to preserve the countryside. They also amend the Council Decision of 12 December 1983 adopting joint research programmes and programmes for coordinating agricultural research.⁷

In February the Council had criticized the Commission for the absence of these proposals,⁸ and it should now be able to take a decision on the price proposals and related measures.

In its Memorandum 'A future for Community agriculture',⁹ the Commission had undertaken to propose further action in the field of socio-structural policy, in order to help farmers adapt to the new conditions prevailing on the markets, to contribute both to improved equilibrium between supply and demand and the maintenance of farming activity and to make a contribution to the protection of the environment and the preservation of the countryside.

Policy on structures had already been reviewed in March 1985,¹⁰ with objectives such as conversion to more easily marketable products, improvement in product quality and in living and working conditions, protection of the environment, training of farmers and farm workers, and the promotion of mutual assistance services.

The Commission's new proposals are designed to supplement and strengthen the new approach adopted in 1985, and to provide an appropriate framework in order, in particular, to:

- (i) help farmers effect investments needed to adapt more closely to new market conditions, e.g. to switch to other products;
- (ii) provide income aids in certain less-favoured areas in which there are permanent natural handicaps to production and in which conditions may be particularly aggravated by the new policy on prices and markets;
- (iii) support adaptation of processing and marketing structures such as may facilitate disposal of products.

Introduction of a 'pre pension' scheme

1.3.2. The Commission is proposing a 'pre pension' scheme designed to encourage those concerned to leave farming. The beneficiaries will be:

- (i) 'main occupation' farmers, at least 55 years of age, who stop farming definitively;
- (ii) farm workers (family members or paid workers) aged between 55 and 65.

The system can have one of two objectives: either the setting aside of farmland to be left unused or its use for non-agricultural purposes (e.g. afforestation), or the handing over of the farm released to a young (first-degree) relative.

An annual allowance would be paid to the beneficiaries, partly on the basis of the intended use, for 10 years until a maximum age of 70 in the case of farmers. Where production ceases altogether, there would be an additional annual premium per hectare of 150 ECU. For farm workers, the maximum allowance paid annually (for a

¹ COM(86) 199 final.

² OJ C 53, 7.3.1986; OJ C 85, 14.4.1986; Bull. EC 2-1986, point 1.3.1 *et seq.* and point 2.1.107.

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

⁴ OJ L 38, 14.2.1979.

⁵ OJ L 166, 23.6.1978.

⁶ OJ L 51, 23.2.1977; OJ L 53, 25.2.1977.

⁷ OJ L 358, 22.12.1983; Bull. EC 12-1983, point 2.1.159.

⁸ Bull. EC 2-1986, point 2.1.106.

⁹ Bull. EC 12-1985, point 1.2.1 *et seq.*

¹⁰ OJ L 93, 30.3.1985; OJ L 95, 2.4.1985; Bull. EC 3-1985, point 2.1.111 *et seq.*

maximum of 10 years or until the normal age of retirement) would be 3 000 ECU. The EAGGF would cover the allowance for only one worker per holding.

The cost for 1987-91 would be 293.1 million ECU (167.1 million for the 'prepension' with land left unfarmed and 126 million for the 'prepension' with takeover by a young relative).

Strengthening of the aid scheme for the setting up of young farmers

1.3.3. Under the regulations adopted in March 1985,¹ the Member States may grant special aids to young farmers under 40. These may consist either of aids to first setting up on a holding or a supplementary aid to investments.

The Commission is proposing that these aids be supplemented by an annual premium per hectare if the young farmer undertakes to switch to more easily marketable products or cut production by forgoing intensive farming methods. The premium would thus offset income losses due to switching to new products or to the reduction in output. The undertaking must cover at least five years, and the change in production methods must lead to a significant reduction (20%) in output per hectare. The premium paid by the EAGGF may not exceed 100 ECU per hectare per year.

The cost of the premium for switching to new products or reducing output is estimated at about 13 million ECU for 1987-91. Also, the 'prepension' scheme for older farmers would lead to an increase in the number of young farmers and therefore increased use of existing funds (aid to investments and setting-up premium) of an estimated 41.8 million ECU.

Underpinning farm incomes

1.3.4. Two forms of support are planned. The first would consist in compensatory allowances. The regulations on farm structures adopted by the Council in March 1985² incorporated the procedures in the

1975 Directive on mountain and hill farming and farming in less-favoured areas,³ which provides for an annual compensatory allowance, the amount of which is calculated on the basis of permanent natural handicaps and which is designed to encourage farming and underpin farmers' incomes in the relevant areas.

At the present time, 45% of the agricultural area of the Community ranks as mountain or hill or less favoured, but only 35% of the holdings in these areas qualify for the allowance, which represents a direct addition to income. The Commission now takes the view that greater flexibility will be required for certain financial margins chosen for the setting up of the compensatory allowance and that the aid should be increased, with more weighting being given to the economic situation of the relevant holdings.

The total cost for 1987-91 of the extension of the scope of and of the increase in the allowance would be 388 million ECU.

Protection of the environment and preservation of the countryside

1.3.5. The Commission believes that the contribution farming makes to the environment and the countryside cannot be ignored. Therefore, it is proposing an annual premium for farmers entering into certain commitments with regard to the preservation of the countryside. The beneficiaries would be mainly farmers not qualifying for the compensatory allowance. The premium could not exceed 100 ECU/ha or 50% of the maximum compensatory allowance.

The total cost to the EAGGF Guidance Section (1987-91) is estimated at 40.6 million ECU.

¹ OJ L 93, 30.3.1985; Bull. EC 3-1985, point 2.1.112.

² OJ L 93, 30.3.1985; OJ L 95, 2.4.1985; Bull. EC 3-1985, point 2.1.112.

³ OJ L 128, 19.5.1975.

Adaptation of support services

1.3.6. The Commission believes that the adaptation drive requires stronger services providing the farmer with the economic and technical assistance necessary to the proper conduct of his holding. It is therefore proposing the following measures:

Training: increase in the ceiling of Community aid from 4 500 ECU to 7 000 ECU per person. This should help induce farmers to switch production to quality products and to use production methods compatible with the increased requirements of the protection of the countryside.

With regard to advisory services: increase in the ceiling on eligible aid already set by existing regulations from 12 000 ECU to 36 000 ECU. The aim is to provide more effective support for the creation of farming associations having the objective of establishing farm management services.

These strengthened support measures would cost about 24 million ECU for 1987-91 (20 million ECU for training and 4 million ECU for advisory services).

Agricultural research

1.3.7. The purpose of the review of the Community research programme must be to provide a more direct response to farmers' and agricultural advisers' needs, given the problems raised by the surpluses and by the resultant restrictive policy on prices.

The main points calling for Community research are the following: changes in products by development of new varieties and new structures; adaptation of production to qualities required by the markets and the consumers; the improvement in the efficiency of farms in view of the need to control production and to impose restrictive prices; the provision of effective protection of the environment and the preservation of

the countryside by the preservation of soil and water resources; the prompt and effective dissemination of the results of research to advisory officers and farmers.

The appropriations in the present agricultural research programme (1984-88)¹ should be increased from 30 million ECU to 50 million ECU. These are not specifically EAGGF appropriations, but are part of the general budget.

Accompanying measures

1.3.8. The Commission is proposing a set of accompanying measures to support the reform of the CAP in general and the socio-structural measures in particular.

These include:

(i) an increase, where there is afforestation, in the eligible amount of the annual premium per hectare by one third (from 150 ECU to 200 ECU per hectare) and a longer period for this premium (20 years and not 10 as provided in the 'pre-pension' scheme); the total cost is 87.5 million ECU for the period 1987-91;

(ii) adaptation of the investment aids approved in March 1985² by giving enhanced status to investments carried out by the beneficiaries of the cessation allowance with a view to allowing non-agricultural use of farmland and investment for the protection and improvement of the environment;

(iii) an increase in the aid to the marketing of certain alternative products;

(iv) extension by ten years of the incentive scheme for the establishment of producers' groups,³ one of the aims of which is to provide assurances as to the quality of products; the cost of this measure is estimated at about 8 million ECU for 1987-91.

¹ OJ L 358, 22.12.1983; Bull. EC 12-1985, point 2.1.159.

² OJ L 93, 30.3.1985; OJ L 95, 2.4.1985; Bull. EC 3-1985, point 2.1.111 *et seq.*

³ OJ L 116, 23.6.1978.

4. Agricultural prices and related measures for 1986/87

Political agreement in the Council

1.4.1. On 25 April the Council reached political agreement on the Commission's proposals concerning agricultural prices and related measures for 1986/87.¹ Agreement came after the Commission had made a number of compromise suggestions during the meeting.

It was agreed, among other things, to make important changes in the common organizations of the markets in cereals, oilseeds and milk, adjustments to the prices and aid for tobacco varieties, depending on the market situation for each one, and adjustments in the fruit and vegetables sector which, while maintaining the basic prices, will result in reduced withdrawal prices for products in substantial imbalance (tomatoes, peaches and apricots). Prices for most other products have been maintained, except in the case of peas, field beans and sweet lupins, where they have risen by 1%.

Agreement on all the price proposals for 1986/87 was by qualified majority. The German delegation said that it could not accept a nominal reduction in cereal prices, and the Spanish delegation said that it could not subscribe to the agreement on milk, which provided for a 3% reduction in the quotas allowed.

Pending the formalization of the agreement, the marketing years for products where they had expired (milk, beef/veal, cauliflowers and dried fodder) were extended to 11 May 1986.²

'The decisions which have been taken will mean, in the long term, a considerable reduction in the output of products which are in surplus', said Mr Gerrit Braks, President of the Council.

In a statement to the press, Mr Frans Andriessen, Commission Vice-President with special responsibility for agriculture, also expressed great satisfaction with the agreement reached, which he described as

moderate. Leaving aside beef/veal, the price of butter and the procedures — yet to be decided on — for possibly phasing out the MCAs for pigmeat, poultrymeat and eggs, almost all the Commission's original proposals had been accepted.

The essential features of what was agreed are set out below.

*Cereals.*³ The Council agreed to introduce a co-responsibility levy of 3% of the intervention price from 1 July to be applied throughout the 1986/87 marketing year. Aid to small farmers was decided on in place of the Commission's original proposal,⁴ which had fixed a levy-free quantity of 25 tonnes. The Council also accepted the need for reform of this sector, as regards both tightening quality standards and limiting the provisions on intervention.

Oilseeds. The Council decided on reforms similar to those for cereals.

Milk. The Council accepted a voluntary scheme for buying up quotas,⁵ accompanied by a compulsory mechanism ensuring an effective 3% reduction in quotas over a two-year period, on the understanding that the first reduction, of 2%, is to be completed by 1 April 1987 at the latest.

Beef/veal. The Council undertook to take final decisions before the end of the year on the Commission proposals for a fundamental reform of the existing legislation.⁶

Fruit and vegetables. The Council decided on an effective reduction in the withdrawal prices for peaches, apricots and tomatoes.

¹ OJ C 53, 7.3.1986; OJ C 85, 14.4.1986; Bull. EC 2-1986, point 1.3.1. *et seq.* and point 2.1.107.

² OJ L 109, 26.4.1986.

³ Bull. EC 2-1986, point 1.3.3.

⁴ Bull. EC 11-1985, point 2.1.129.

⁵ Bull. EC 10-1985, point 2.1.102 *et seq.*

⁶ Bull. EC 2-1986, point 1.3.5; Bull. EC 12-1985, point 2.1.154 *et seq.*

Tobacco. The Council adopted norm prices and premiums for newly classified varieties which would guide producers more effectively towards the types which can best be disposed of at reasonable cost.

Agri-monetary matters. The Commission has had to ensure consistency between general economic aspects and safeguarding the objectives of the CAP, and this has inevitably meant moderation in phasing out MCAs.

Socio-structural measures recently proposed (→ point 1.3.1 *et seq.*). The Commission is satisfied with the favourable reception given to the measures by the

Council and the Council's undertaking to act on them before 1 August.

While recognizing that the agreed package of measures will impose considerable constraints on farmers, the Commission none the less notes that the combined impact of more effective management measures, of the agri-monetary measures and of the Council's welcome for the socio-structural proposals will mean real opportunities for farmers.

1.4.2. The prices and related measures decided on by the Council are reported in greater detail in the 'Agriculture' section (→ point 2.1.106 *et seq.* and Tables 8, 9 and 10).

5. Development problems in Africa — Medium- and long-term view

1.5.1. In preparation for the special session which the United Nations General Assembly is to devote to Africa in the last week of May, the Commission sent to the Council and to Parliament on 14 April a communication entitled 'Development problems in Africa — Medium- and long-term view'.¹

However intense and sustained the Community's own efforts, these cannot by themselves provide a complete solution to the crisis which Africa is experiencing. Europe's action has to be planned and understood within the context of international efforts which can themselves also be influenced and reshaped by Europe in the interests of securing the recovery of the African countries.

The Commission stresses the gravity of the crisis affecting Africa, particularly south of the Sahara, and points out that about two thirds of the poorest developing countries

are African countries. It takes the view that, fundamentally, Africa's crisis is a production crisis. To overcome it, the African countries will themselves have to reshape and redirect their own policies so as to exploit their resources more effectively. This means that priority will have to be given to restoring production capacities, with particular regard for food security but also, in those countries where it is possible, for the contribution that mining or appropriate industrialization can make to development.

While the African countries must clearly make an effort to adjust—including their administration procedures—the international community should do what it can to help.

The Commission communication identifies three areas in which international action

¹ COM(86) 179 final.

must be taken: trade, official aid and debt, and the adaptation of aid in line with the changing situation of the African countries.

Trade

1.5.2. As regards trade, the central problem is the decline, especially sharp since 1980, in the purchasing power of African exports, particularly exports from Africa's poorest countries.

The need, therefore, is to try to preserve, consolidate and, where possible, increase the export earnings of a continent whose products are no longer competitive and which, moreover, is witnessing a contraction of its markets, which are chiefly those for raw materials.

Conscious of the potentially negative impact of seasonal or cyclical price fluctuations, the Commission reiterates its firm support for price stabilization agreements, provided they are conceived realistically, in that they do not run counter to the long-term trends of the various markets for the products concerned and contain provisions to allow for flexible but effective application of the necessary adjustments.

Where price stabilization agreements are not possible, the Community supports the idea of 'market intelligence services' to improve knowledge of the markets. It also advocates that other developed countries set up forms of assistance similar to Stabex in order to help African countries, at any rate the least developed among them in terms of the United Nations' list of LLDCs.

Official aid and debt

1.5.3. According to World Bank estimates, if African countries are to acquire sufficient import capacity to ensure their growth on a sound basis, there will have to be between now and 1991 a marked increase in the financial resources made available, and for poor countries these should come chiefly from a combination of increased aid and debt adjustment.

Official aid

1.5.4. Where official assistance is concerned, it is clear that the only way to increase aid for Africa, without a corresponding reduction in aid to other underdeveloped continents, is through an increase in the overall aid effort. The Commission would mention in this connection the 0.7% of GNP pledge which few countries have so far honoured.

As part of this overall effort, an increase is recommended in the contributions to those multilateral organizations best placed to finance structural adjustment. The Commission is concerned at the way discussions on the eighth replenishment of IDA¹ resources have gone so far but welcomes the decision taken in Seoul to use the resources of the IMF's Trust Fund to help poor countries with serious debt problems.²

Private aid flows

1.5.5. Non-concessional resources should also be increased. The Community should support and help to speed up the implementation of the approach advocated in the Baker plan³ so that bank lending can be resumed.

A key factor which will determine whether private banks are prepared to make further loans to debtor countries will be the public sector's willingness to assume its share of responsibility — for example, by aiding the World Bank's efforts to increase its capital and through a new, more rapid and more coordinated use of export credit guarantees.

Revival of investment

1.5.6. The Commission supports the commitments made in the third Lomé Convention, where the Community and the ACP

¹ International Development Association (an affiliate of the World Bank).

² Bull. EC 10-1985, point 2.1.7.

³ Bull. EC 10-1985, point 2.1.7; Bull. EC 12-1985, point 2.3.35 (note 2).

States recognize the need to accord fair and equitable treatment to investors, to create clear and stable conditions conducive to their participation in development efforts and to maintain a predictable and secure investment climate.¹

The Commission considers that the flow of investment can only be facilitated by multilateral guarantee systems such as the Multilateral Investment Guarantee Agency (MIGA); it recommends therefore that all industrialized and developing countries sign the convention providing for the establishment of this Agency.

Special measures relating to debt

1.5.7. The Commission considers that there will be no solution to the financial problems of many debtor African countries unless measures in addition to increased aid are taken to ease the debt burden, ranging from rescheduling operations to more radical solutions where necessary, such as a reactivation of the Unctad (1978) resolution on retroactive terms adjustment.

It would also be necessary to ensure that, at the very least, no bilateral donor becomes a net recipient of resources from African countries undertaking credible reforms.

Adaptation of aid to new realities facing Africa

1.5.8. Adaptation should be carried out on three fronts simultaneously, covering:

(i) improved quality of aid (easier terms, more rapid disbursement of financing, greater coverage of local costs, etc.);

(ii) greater concentration of aid on top priority sectors;

(iii) more intensive coordination at all levels.

Conclusions

1.5.9. It is in a context of interdependence and coresponsibility that the notion of an agreement between Africa and the developed countries on the framework and the principles of the measures to be taken for the economic revival of the continent takes on its full significance as a reference point which should help stimulate reciprocal commitments and make for a conjunction of both sides' efforts. Such an agreement must reaffirm the idea of ongoing dialogue between donors and recipients, a dialogue which guarantees both respect for the social and economic choices of the African countries and the effective and cohesive utilization of the resources at their disposal.

At a time when the whole of the international community is about to turn its attention to Africa's critical difficulties, at the special session of the United Nations General Assembly, the Commission feels that it is essential to point to the extreme urgency of the need for speedy decisions to enable Africa to pull out, before it is too late, from the economic morass in which it is sinking, as a prior step to making a solid start at last along the road to progress and modernity.

¹ Bull. EC 11-1984, point 1.1.1 *et seq.*

PARADOX

**ACTIVITIES
IN APRIL 1986**

1. Building the Community

Economic and monetary policy

Council

2.1.1. The Council devoted much of its economic and financial affairs meeting on 28 April to a discussion of the budgetary situation in the Community, basing itself on documents from the Commission (→ point 1.1.1 *et seq.*).

It met a delegation from Parliament led by Mr Pflimlin and established the reference framework for the 1987 budget year (→ point 2.3.9).

It then a discussion on the economic and monetary topics likely to be raised at the Western Economic Summit in Tokyo and on the Commission communication on monetary and financial relations with Japan (→ point 2.2.13).

European Monetary System

Realignment of 6 April

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

'On 6 April 1986 the Ministers and Central Bank Governors of EEC member countries have by mutual agreement, in a common procedure involving the Commission and after consultation of the Monetary Committee, decided on an adjustment of central rates within the European Monetary System. The new bilateral central rates result from the following relative changes:

German mark and Dutch guilder + 3%;
Belgian franc, Luxembourg franc and Danish krone: + 1%;
Irish pound and Italian lira: 0%;
French franc: - 3%.

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

DM	2.13834
HFL	2.40935

BFR	43.6761
LFR	43.6761
DKR	7.91896
IRL	0.712956
LIT	1496.21
FF	6.9628
UKL	0.630317
DR	135.659.'

The new parity grid of bilateral central rates and compulsory intervention rates as at 7 April 1986 is shown in Table 2.

Community borrowings

Six-monthly report

2.1.3. In accordance with the Council Decision of 19 April 1983 empowering it to contract loans under the New Community Instrument,² the Commission transmitted to the Council and to Parliament on 29 April its fifth six-monthly report on the rate of utilization of NCI tranches (1 July to 31 December 1985).³

With the borrowings authorized for NCI I operations⁴ and for exceptional aid to Greece⁵ committed in full, the position with regard to NCI tranches still being drawn down was as follows at the end of 1985:

(i) 2 369.4 million ECU of loans had been signed under NCI III, the figure rising to around 2 843.5 million ECU if eligible operations are added;

(ii) with regard to the global loans for small and medium-sized enterprises (SMEs) approved under NCI II⁶ and III,² 89% of the total had been allocated, and almost 97% of the total in France;

¹ Bull. EC 3-1983, points 1.2.1 to 1.2.4; Bull. EC 7/8-1985, point 2.1.4.

² OJ L 112, 28.4.1983; Bull. EC 4-1983, point 2.1.8.

³ COM(86)219 final. Fourth report: Bull. EC 9-1985, point 2.1.1.

⁴ OJ L 298, 25.10.1978.

⁵ OJ L 367, 23.12.1981.

⁶ OJ L 78, 24.3.1982.

Table 2 — *Central rates of EMS currencies*¹
(parity grid applicable from 7 April 1986)

		Amsterdam (HFL)	Brussels (BFR/LFR)	Frankfurt (DM)	Copenhagen (DKR)	Dublin (IRL)	Paris (FF)	Rome (LIT)
HFL 100	+ 2.25%	100	1 854.05	90.770	336.16	30.2645	295.57	65 941.0
	central rate		1 812.78	88.7526	328.676	29.5912	288.991	62 100.2
	- 2.25%		1 772.45	86.780	321.36	28.9329	282.56	58 480.0
BFR/LFR 100	+ 2.25%	5.6420	100	5.007	18.543	1.6695	16.3045	3 637.4
	central rate	5.51640		4.8959	18.1312	1.63237	15.9419	3 425.7
	- 2.25%	5.3935		4.787	17.727	1.5960	15.5870	3 226.3
DM 100	+ 2.25%	115.235	2 089.00	100	378.76	34.1000	333.03	74 295.0
	central rate	112.673	2 042.52		370.332	33.3416	325.617	69 670.6
	- 2.25%	110.1675	1 997.20		362.09	32.6000	318.37	65 898.0
DKR 100	+ 2.25%	31.1175	564.10	27.615	100	9.2080	89.925	20 062.0
	central rate	30.4251	551.536	27.0028		9.00315	87.9257	18 894.0
	- 2.25%	29.7475	539.30	26.400		8.8029	85.97	17 794.0
IRL 1	+ 2.25%	3.4560	62.6550	3.068	11.3599	1	9.9885	2 228.29
	central rate	3.37938	61.2606	2.99926	11.1072		9.7661	2 098.60
	- 2.25%	3.3040	59.8975	2.933	10.8601		9.5490	1 976.46
FF 100	+ 2.25%	35.39	641.55	31.410	116.32	10.4725	100	22 817.0
	central rate	34.6032	627.278	30.7109	113.732	10.2395		21 488.6
	- 2.25%	33.8325	613.35	30.030	111.20	10.0115		20 238.0
LIT 1 000	+ 6%	1 710	31.0	1.5175	5.620	0.505956	4.9410	1 000
	central rate	1.61030	29.1912	1.42917	5.29268	0.476508	4.65362	
	- 6%	1.5165	27.490	1.3460	4.985	0.448775	4.3830	
1 ECU	central rate	2.40935	43.6761	2.13834	7.91896	0.712956	6.9628	1 496.21

(¹) Sterling and the drachma do not participate in the EMS exchange-rate mechanism. Their notional ECU central rates are UKL 0.630317 and DR 135.659.

(iii) taking into account the eligibility decisions already taken, exceptional 'earthquake reconstruction' operations in Italy in 1980¹ and in Greece in 1981² were close to the ceiling set.

Since the amounts borrowed under the NCI and authorized by the Council were about to be exhausted, the Commission proposed at the beginning of June that it be empowered by the Council to contract new NCI borrowings that would enable it to grant loans of up to the equivalent of 1 500 million ECU.³

An analysis of NCI operations shows that, taking total loans signed for ordinary oper-

ations, there was an increasing shift in lending towards the productive sectors, in line with the priorities laid down for NCI III to assist SMEs,⁴ which had already absorbed 68.7% and 79.9% of the loans signed under each of the NCI III tranches.

In contrast, there was a fall in the proportion of loans signed under NCI III for the energy and infrastructure sectors. In particular, no loans were allocated to energy projects under the second NCI III tranche.

¹ OJ L 37, 10.2.1980.

² OJ L 367, 23.12.1981.

³ OJ C 163, 3.7.1985; Bull. EC 5-1985, point 2.1.3.

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

The breakdown of loans signed reveals a clear preponderance of operations in Italy and, to a lesser extent, in France. Italy's share of the current total of NCI III loans was 46% and France's 34%.

Lastly, whereas the volume of operations in Italy has been fairly constant through the successive NCI tranches, operations in France have shown a definite increase, mainly because of demand from SMEs.

Economic Policy Committee

2.1.4. The Economic Policy Committee held its 167th, 168th and 169th meetings in April:

(i) on 8 April, in its 'budgets' composition, it examined the budgetary and macro-economic conclusions to be drawn from the work on public debt and the interest burden; it also discussed the budgetary costs of unemployment and the role of the budget in combating unemployment;

(ii) on 11 April, in its 'medium-term' composition, it continued its discussion of more employment-intensive growth, paying particular attention to capital/labour substitution and its impact on employment and to the relationship between productivity growth and technical progress;

(iii) on 17 April, in its 'budgets' composition, it examined the Commission communication to the Council and to Parliament on the 'Financial perspective 1987-90' for the Community budget (→ points 1.1.2 to 1.1.7) and prepared a report on the matter for delivery by its chairman to the Council and the Commission.

IMF Interim Committee and World Bank/IMF Development Committee

2.1.5. On 5 and 6 April the IMF Interim Committee and the World Bank/IMF Development Committee held their six-monthly meetings in Washington. The meetings were preceded by meetings of the Group of 10 and the Group of 5.

Discussion focused mainly on the world economic situation, the problems of indebtedness and the international monetary system.

Although the international outlook had improved significantly under the combined impact of a fall in oil prices, a decline in interest rates and a further adjustment in the pattern of exchange rates, the Interim Committee noted that certain developing countries, especially in Africa, continued to face serious problems.

The situation was also encouraging for a number of debtor countries. The current strategy, tailored to individual cases and involving changes in economic policy, would be continued and backed up by new structural facilities reflecting the closer collaboration between the IMF and the World Bank.

With regard to the international monetary system, the Committee adopted a cautious attitude, taking the view that flexibility had enabled the world economy to adapt to a number of major disturbances but recognizing too that serious imbalances and misalignments had emerged. Noting a broad measure of agreement on the need to strengthen surveillance, the Committee felt it would be useful to explore further the use of objective indicators. It also discussed the role of special drawing rights in international liquidity but, in spite of numerous requests, it felt that there was not sufficient support for a new allocation.

Internal market and industrial affairs

Free movement of persons and freedom to provide services

Mutual recognition of diplomas and access to occupations

Doctors

2.1.6. On 18 April the Commission amended¹ the proposal for a Directive on

¹ OJ C 125, 24.5.1986; COM(86)217 final.

specific training in general medical practice it had sent to the Council on 11 December 1984.¹

The purpose of the amendment was to take account of the opinions issued by Parliament² and the Economic and Social Committee,³ both concerned with defining the duties of the general practitioner and the framework within which specific training in general medical practice is provided.

Nurses

2.1.7. The Advisory Committee on Training in Nursing held a meeting on 15 and 16 April. It adopted a recommendation to the Commission for a proposed Directive on mutual recognition of diplomas in psychiatric nursing. It also approved an interim report concerning similar arrangements for paediatric nursing. The Committee agreed to hold an international symposium on the training of nurses in October 1987.

Free movement of goods

Removal of technical and administrative barriers to trade

Industrial products

Fire safety in hotels

2.1.8. On 29 April, following the opinions of Parliament⁴ and the Economic and Social Committee,⁵ the Commission amended⁶ its proposal for a recommendation on fire safety in existing hotels.⁷ In accordance with the undertakings which Lord Cockfield, the Member with special responsibility for the internal market, had given to Parliament in January,⁴ the changes made improve the proposed recommendation without altering either its legal nature or its scope.

*

2.1.9. At its April session the Economic and Social Committee gave its opinion

(→ point 2.4.4) on the proposal for a Council Directive on the approximation of the laws, regulations and administrative provisions of the Member States relating to the classification, packaging and labelling of dangerous preparations.⁸

Foodstuffs

2.1.10. On 17 April the Commission sent the Council four proposals for Directives pursuant to its communication of 18 November 1985 on Community foodstuffs legislation,⁹ which itself derives from the Commission's White Paper on completing the internal market.¹⁰

(i) The first relates to the approximation of the laws of the Member States concerning food additives authorized for use in foodstuffs intended for human consumption.¹¹ This proposal reveals how the Commission envisages the development of foodstuffs legislation in the light of the abovementioned communication.⁹

(ii) The second¹² amends the Council Directive of 18 December 1978 on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs for sale to the ultimate consumer.¹³ The Commission is proposing to withdraw the derogations in the Directive, with a view to ensuring both the completion of the internal market and the provision of improved and identical information for all Community consumers.

(iii) The third¹⁴ amends and consolidates the Council Directive of 23 November 1976

¹ OJ C 13, 15.1.1985; Bull. EC 12-1984, point 2.1.10.

² OJ C 36, 17.2.1986.

³ OJ C 218, 29.8.1985; Bull. EC 7/8-1985, point 2.1.15.

⁴ OJ C 36, 17.2.1986; Bull. EC 1-1986, point 2.1.11.

⁵ OJ C 248, 17.9.1984.

⁶ OJ C 131, 29.4.1986; COM(86)231 final.

⁷ OJ C 49, 21.2.1984; Bull. EC 1-1984, point 2.1.5.

⁸ OJ C 211, 22.8.1985; Bull. EC 7/8-1985, points 2.1.16 and 2.1.126.

⁹ Bull. EC 11-1985, point 2.1.18.

¹⁰ Bull. EC 6-1985, point 1.3.1 *et seq.*

¹¹ OJ C 116, 16.5.1986; COM(86)87 final.

¹² OJ C 124, 23.5.1986; COM(86)89 final.

¹³ OJ L 33, 8.2.1979.

¹⁴ OJ C 124, 23.5.1986; COM(86)90 final.

on the approximation of the laws of the Member States relating to materials and articles intended to come into contact with foodstuffs.¹ It lists groups of such materials and articles to be covered by specific directives and lays down the procedure to be used both for the adoption of such directives and for the amendment of existing directives.

In both cases, it is proposed that the Commission be empowered to legislate by the 'advisory committee' procedure.

(iv) The fourth proposal² amends and consolidates the Council Directive of 21 December 1976 on the approximation of the laws of the Member States relating to foodstuffs for particular nutritional uses.³ It has the same objectives as the third proposal.⁴

2.1.11. On 22 April the Commission sent the Council a communication concerning toxic substances in breast milk.⁵ This document, which was also sent to Parliament for information, is due to be examined by the Council and by the Health Ministers meeting within the Council on 29 May.

The Communication stresses that breast-feeding, the benefits of which are universally recognized, can continue to be encouraged notwithstanding the detection of certain potentially dangerous chemical substances, such as PCBs, dioxins and furans, which accumulate in fatty tissues, where they can persist for one or more decades before being excreted with the mother's milk during breast-feeding.

The communication also states that there is no justification for providing the public with facilities for the systematic analysis of these chemical substances in breast milk and that the reliability of existing measuring techniques must be improved.

2.1.12. Pursuant to the provisions of the Council Directive of 15 July 1980 relating to the exploitation and marketing of natural mineral waters,⁶ which came into force on 17 July 1984,⁷ Greece and the Netherlands informed the Commission of the names of

mineral waters which they recognize as such.⁸

2.1.13. On 16 April Parliament gave its opinion⁹ on the proposal for a Council Directive on the approximation of the laws of the Member States relating to infant formulae and follow-up milks.¹⁰

Recalling that in its resolutions of 15 October 1981¹¹ and 11 April 1983¹² it had called for the adoption of a Council Directive based on the WHO's International Code, it noted that the Commission's proposal met only a few of the desiderata it had set out there. Nevertheless, it welcomed the proposal as a basis for the approximation of the laws of the Member States on the subject, provided that the provisions on labelling and marketing were brought into line with the WHO recommendations.

Business law

Economic and commercial law

Original topographies of semiconductor products

2.1.14. At its April session the Economic and Social Committee gave its opinion (→ point 2.4.43) on the proposal for a Council Directive on legal protection for the original topographies of semiconductor products.¹³

Public contracts

2.1.15. At its April session the Economic and Social Committee gave its opinion

¹ OJ L 340, 9.12.1976.

² OJ C 124, 23.5.1986; COM(86)91 final.

³ OJ L 26, 31.7.1977.

⁴ COM(86)90 final.

⁵ COM(86)197 final.

⁶ OJ L 229, 30.8.1980.

⁷ Bull. EC 7/8-1984, point 2.1.18.

⁸ OJ C 96, 24.2.1986.

⁹ OJ C 120, 20.5.1986.

¹⁰ OJ C 28, 30.1.1985; Bull. EC 12-1984, point 2.1.17.

¹¹ OJ C 287, 9.11.1981.

¹² OJ C 128, 16.5.1983.

¹³ Bull. EC 12-1985, point 2.1.25.

(→ point 2.4.45) on the Commission's report to the Council 'Public supply contracts — Conclusions and perspectives'.¹

Steel

The Community steel industry

Market management

Market situation

Community production

2.1.16. In March the Community (not including Greece and Ireland) produced

11.353 million tonnes of crude steel compared with 12.194 million tonnes in March 1985, though February's production had matched the previous year's February figure.

Total production for the first quarter of 1986—33.15 million tonnes—was 2.4% down on the corresponding period of 1985.

Table 3 shows the trend in the Community's production of crude steel between March 1985 and March 1986 in thousands of tonnes and in percentage terms. Again, the figures do not include Greece and Ireland.

Table 3 — Community crude steel production, March 1985—March 1986

	March 1986	% change on March 1985	First quarter		% change
			('000 tonnes)		
			1986	1985	
Belgium	898	- 9.7	2 597	2 677	- 3.0
Denmark	56	+ 69.7	169	113	+ 49.6
Germany (FR)	3 310	- 7.9	9 794	10 129	- 3.3
Spain	1 064	- 14.5	3 525	3 598	- 2.0
France	1 640	- 7.3	4 588	4 899	- 6.3
Italy	2 039	- 4.8	5 993	6 116	- 2.0
Luxembourg	342	- 7.8	1 011	997	+ 1.4
Netherlands	494	0.0	1 396	1 429	- 2.3
Portugal	57	- 13.6	168	181	- 7.2
United Kingdom	1 444	- 2.2	3 909	3 818	- 2.4
Total	11 353	- 6.9	33 150	33 957	- 2.4

Preliminary figures for April show that this trend is continuing. The expected outturn is 11.15 million tonnes compared with 11.47 in April 1985. Without Greece, Portugal and Spain, the figure for other nine Member States is 9.9 million tonnes, compared with 10.22 million tonnes in April 1985.

Table 4 shows the trend in Community crude steel production from April 1985 to April 1986.

¹ Bull. EC 12-1984, point 2.1.22.

Table 4 — *Community crude steel production, April 1985—April 1986*

	('000 tonnes)		
	April 1985	March 1986	April 1986 ¹
Belgium	929	898	921
Denmark	34	56	60
Germany (FR)	3 338	3 319	3 440
Spain	1 202	1 064	1 100
France	1 679	1 640	1 614
Italy	2 009	2 039	2 045
Luxembourg	354	342	335
Netherlands	377	494	388
Portugal	48	57	62
United Kingdom	1 486	1 444	1 169
Total	11 471	11 358	11 156

¹ Company estimates.

Employment

2.1.17. In 1985 22 000 jobs were lost in the Community's steel industry (nine Member States, not including Greece). This amounts to a 5% loss between January 1985 and January 1986, which is a slight improvement on the 7.1% drop of the previous year, and this 5% rate is expected to remain stable over the next few months. National

underlying trends will continue to be different in the first half of 1986, reflecting the direct impact of restructuring. The accession of Spain and Portugal added another 66 000 steelworkers to the Community's total, but there are no figures available to indicate trends in the employment situation in these two countries.

Table 5 shows the changing pattern of employment in the steel industry.

Table 5 — *Employment in the steel industry*

	January 1984	1984-85	January 1985	1985-86	January 1986
	'000	% change	'000	% change	'000 ¹
Belgium	39.4	- 6.9	36.7	- 7.9	33.8
Denmark	1.6	- 6.3	1.5	+ 20.0	1.8
Germany (FR)	161.7	- 6.2	151.6	- 0.8	150.4
France	90.1	- 6.8	84.0	- 10.1	75.4
Ireland	0.7	0.0	0.7	- 28.6	0.5
Italy	87.2	- 14.0	75.0	- 9.3	68.0
Luxembourg	12.6	- 2.4	12.3	+ 2.4	12.6
Netherlands	19.1	- 2.1	18.7	0.0	18.7
United Kingdom	63.6	- 2.8	61.8	- 4.4	59.1
Total, 9 Member States	476.0		442.3		420.3
Average annual rate		- 7.1		- 5.0	

¹ Provisional figures.

Accession-related measures

Spanish and Portuguese deliveries to the Community market

2.1.18. On 2 April, with the Council's assent¹ and after consulting the ECSC Consultative Committee, the Commission established the level of deliveries of ECSC steel products of Spanish origin and Portuguese origin to the rest of the Community market, excluding Portugal and Spain respectively.²

Competition

2.1.19. On 25 April the Commission adopted a report on the application of the

rules on aids to the steel industry, 1984-85.³ The report, required under the Aids Code,⁴ will be sent to Parliament and the ECSC Consultative Committee for information.

Total aids cleared between February 1980 and the end of 1985 amounted to 38 169 million ECU: 22 350 million in capital/participatory loans, 7 127 million in grants/interest relief grants, 3 882 million in reduced-interest loans, 2 996 million in guarantees on market-rate loans and 1 740 million in conversion of debts into capital, this last applying only in Belgium.

The table shows how these aids were applied.

Table 6 — *Aid by Member State, 1984-85*

(million ECU)

	Investment	R&D	Closures	Continued operation	Emergency	Total
Belgium	719	—	118	3 048	12	3 897
Denmark	13	—	—	68	—	81
Germany (FR)	1 120	163	619	1 942	—	3 844
Greece	—	—	—	—	—	—
France	3 039	—	302	5 111	689	9 141
Ireland	—	—	—	264	—	264
Italy	4 006	38	227	9 585	—	13 856
Luxembourg	440	—	15	176	—	631
Netherlands	234	—	—	222	—	456
United Kingdom	1 788	49	1 036	2 767	—	5 640
Total EEC	11 359	250	2 317	23 183	701	37 810

Investment

2.1.20. The Commission's report on the 1985 survey on investment in the ECSC industries has been published.⁵ The document reports both on investment expenditure and on consequent changes in pro-

duction potential and is based on figures available at the end of 1984.

¹ Bull. EC 3-1986, point 2.1.24.

² OJ L 132, 21.5.1986.

³ COM(86) 235.

⁴ OJ L 228, 13.8.1981.

⁵ Available from the Office for Official Publications of the European Communities, L-2985 Luxembourg.

Trade with non-member countries

Imports

External aspects of the crisis measures

Arrangements with non-member countries

2.1.21. All the arrangements on Community imports of steel products have been extended by the Council for 1986. The arrangements with the EFTA countries (Austria, Finland, Norway and Sweden) do not include quantity restrictions on deliveries but instead are based on reciprocity, and for the first time there is no penetration margin in respect of price levels. The EFTA countries thus enjoy terms similar to those applied to Community producers.

Nine other arrangements have been concluded by the Council—with Hungary, Romania, Bulgaria, Poland, Czechoslovakia, South Korea, South Africa, Australia and Brazil. The agreement with Japan, the 'special understanding', will be by simple exchange of letters.

Autonomous measures

2.1.22. On 17 April the Council terminated the definitive countervailing duty on imports of seamless tubes of non-alloy steels and tube and pipe fittings of malleable cast iron from Spain.¹

2.1.23. On 28 April the Representatives of the Governments of the Member States of the ECSC meeting within the Council adopted a Decision establishing steel quotas for State-trading countries for 1986.²

2.1.24. On 9 April the Commission adopted a Decision prohibiting alignment on offers of steel products from non-member countries 'with arrangements'.²

Since 1978 the Commission has been negotiating arrangements on imports of steel products with the main exporting countries year by year. These countries undertake to cooperate on prices and quantities, and in return producers of these products are authorized to grant a rebate on the prices published by Community producers for their sales in the Community. In order to safeguard this advantage and to prevent prices being pushed down, Community producers have been prohibited from aligning their prices on offers of products by these countries.³

Since the arrangements concluded with certain non-member countries have now been continued for 1986 (→ point 2.1.21), the Commission decided that it was necessary to ensure that these countries would not lose the advantage of the penetration margin granted in exchange for quantity commitments by Community producers aligning on their offers.

However, the Commission decision cannot be applied by the EFTA countries (→ point 2.1.21).

Research and technology

Community R&D policy

Council

2.1.25. Meeting in Luxembourg on 8 April, the Council had a wide-ranging discussion on the Commission's communication of 20 March concerning guidelines for a new Community framework programme on technological research and development for 1987 to 1991.⁴

¹ OJ L 103, 19.4.1986.

² OJ L 95, 10.4.1986.

³ OJ L 73, 15.3.1978; OJ L 173, 3.7.1985.

⁴ Bull. EC 3-1986, points 1.1.1 to 1.1.6.

Member States expressed their initial reactions to the communication and explained their basic ideas regarding the future framework programme, including the question of its financing. This preliminary exchange of views covered the following topics in particular: the objectives, criteria and priorities of the framework programme; the Community context and the relationship between the framework programme and the Community's other main policies; the international context and relations with COST and Eureka activities.

After the discussion, Mr Narjes, Vice-President of the Commission with special responsibility for research and science, said that he would have a working paper prepared, taking account of the comments and suggestions made by the various Member States, for the 10 June meeting at which the Council was to pursue the matter. The Council instructed the Permanent Representatives Committee to prepare for that meeting in close cooperation with the Commission.

On the basis of a communication transmitted by the Commission on 21 March,¹ the Council also held a policy debate on future developments at the JRC in the context of the European Technology Community and, more particularly, in preparation for the new framework programme. Discussion dealt with the future role of the JRC and its current financial problems. The Council will debate the matter further on 10 June.

Turning to the interim evaluation report presented to it by the Commission in November 1985,² the Council adopted a resolution³ re-emphasizing the Community's commitment in the field of information technology and confirming the main objectives of the Esprit programme: to promote European industrial cooperation in pre-competitive research and development in the field of information technology; to provide the basic technologies required by the European information technology industry to ensure its competitiveness; to carry out the work preparatory to standardization in the field of information technology.

Finally, the Council met a delegation from Parliament for a consultation meeting on two proposed Decisions concerning multi-annual R&D programmes on materials⁴ and the environment.⁵ There was a comprehensive discussion on the points on which the two institutions had differing views. As regards the allocation of staff to the two programmes and the timetable for applying the review clause in each of them, the Council was able to accommodate Parliament's wishes; this did not prove possible, however, with regard to the fundamental point — namely, the appropriation for two programmes.

Having agreed to both programmes in principle, the Council envisages adopting them in the near future.

Sectoral R&D activities

Industry

New technologies

Information technology

Esprit

2.1.26. On 18 April the Commission published in the *Official Journal*⁶ a call for proposals in relation to the 1986 Esprit work programme.⁷ This third call,⁸ including a supplementary call for proposals in the field of software technology,

¹ Bull. EC 3-1986, point 1.1.7.

² Bull. EC 10-1985, point 2.1.149; Bull. EC 11-1985, point 2.1.192.

³ OJ C 102, 29.4.1986.

⁴ OJ C 93, 19.4.1986; OJ C 220, 30.8.1985; Bull. EC 7/8-1985, point 2.1.224.

⁵ OJ C 93, 19.4.1986; OJ C 301, 25.11.1985; Bull. EC 7/8-1985, point 2.1.230.

⁶ OJ C 92, 18.4.1986.

⁷ OJ L 365, 31.12.1985; Bull. EC 11-1985, point 2.1.193.

⁸ OJ C 80, 21.3.1984; OJ C 340, 20.12.1984; OJ C 238, 19.9.1985.

covers microelectronics, software technology, advanced information processing, office systems and computer integrated manufacture.

It completes the financing commitments under the first phase of the programme and brings the total number of Esprit projects selected to over 200 out of over 1 000 submitted.

Telecommunications

Coordinated introduction of ISDN

2.1.27. On 18 April the Commission adopted a draft recommendation on the coordination introduction of the Integrated Services Digital Network (ISDN) in the European Community,¹ in which it requested the Governments of the Member States to commit themselves to an ambitious timetable and to recommend to their national PTT administrations a series of spectacular innovations based on the combined use of the digital telephone and the computer.

The Commission considers that the marriage of telephone and computer, termed 'Integrated Services Digital Network', must take place rapidly if the Community wishes to claim its share of a world market, of which the European segment alone is estimated at some USD 200 000 million. A decision in this regard is all the more urgent for being an indispensable step towards the large modern telecommunications network — based on satellites and fibre optics — with which Europe should be equipped towards the mid-1990s.

Three stages are necessary for the development of telecommunications within the Community:

- (i) the present telephone network;
- (ii) the telecommunication networks 'upgraded' by the incorporation of the new data services;
- (iii) the integrated broadband networks.

In order to advance from the first phase to the second, an objective which the Commission recommends to the Member States, the national PTT administrations will have to invest some 6 000 to 7 000 million ECU in order to continue the digitalization of the present telephone network. The Commission considers that it will take eight years (until the end of 1993) for ISDN to reach maturity. The Commission is therefore requesting the Member States to make firm commitments to two major targets:

- (i) providing 80% of customers with access to the digital network;
- (ii) providing, by 1993, a number of accesses to this network equivalent to 5% of the 1983 subscriber main lines.

Meetings with US authorities and industry

2.1.28. A Commission delegation led by Mr Michel Carpentier, Director-General, held talks with the United States authorities and industry representatives during a mission to Washington from 14 to 16 April. Issues discussed included the telecommunications market (access and regulation), semiconductor market negotiations between the US and Japan and high-definition television (HDTV) standards (US/ Japan proposals).

The Commission delegation confirmed the Community's active position on telecommunications and stated that Community industry wants as much, if not more, access to the US market as US industry wants access to the European market. The mission constituted useful groundwork for a Community fact-finding mission in June.

Standardization

2.1.29. At its April session the Economic and Social Committee gave its opinion (→ point 2.4.42) on the proposal for a Council Directive on the adoption of common technical specifications of the MAC/

¹ COM(86) 205 final.

packet¹ family of standards for direct satellite television broadcasting.²

Biotechnology

2.1.30. On 29 April the Commission transmitted to the Council and Parliament a communication entitled 'Biotechnology in the Community: stimulating agro-industrial development',³ a policy and discussion paper in which the Commission suggests that a substantial sum be invested in initiating a series of pilot and demonstration projects for the purpose of demonstrating the technical feasibility of, and the economic benefits to be obtained from, new uses of land and of agricultural products made possible by recent developments in biotechnology. The Commission intends to invite representatives of agriculture, industry and the sciences to participate in a discussion on its proposals: from them it expects suggestions, requests and criticisms which will enable it to set out in detail its actual proposal for a programme.

The spectacular advances achieved in recent years with regard to the understanding and control of living materials and systems have made it possible to contemplate profound changes in agriculture: the transformation of cultivated species, of cultivation methods and of the uses made of the products of cultivation. The widespread application of biotechnology could place European agriculture in a position to provide industry with considerable quantities of raw materials (sugars, starches, oils, fats, etc.) better suited to the manufacture of coating substances, detergents, lubricants, soaps, thickeners, plasticizers, etc., which can nowadays be profitably produced from products of vegetable origin. It might also make it possible to reduce the amounts of cattlefeed, vegetable oils, wood and hydrocarbons which Europe currently imports, and to improve still further the quality and nutritional value of certain foodstuffs, while freeing for alternative uses (nature reserves, leisure activities) areas which are now under intensive cultivation.

The range of possible applications of biotechnology in the agro-industrial sphere is enormous. Not all of them can be developed at the same pace. The function of future pilot and demonstration projects will be to evaluate and establish the viability and profitability of those that seem to be the most promising.

The activities likely to be covered by these projects are many and varied: cultivation of new varieties of plants capable of being used by industry (lupins, rape, beet, wheat, etc.) which are obtained either wholly or in part by means of genetic engineering techniques; the use of methods to improve soils by means of micro-organisms; the use of systems of whole-crop harvesting and utilization (straw and waste included) or for improving the utilization of plant fractions (extraction of proteins from tobacco leaves, for example); the use of processes for upgrading basic agricultural products (starches, sugars, etc.).

The Commission is considering publishing a 'call for expressions of interest' which will be of assistance in the preparation of a detailed programme proposal.

2.1.31. On 24 and 25 April the Management and Coordination Advisory Committee (CGC) (Biotechnology) met in Brussels to select further research proposals for the biotechnology research programme (1985-89).⁴ In November 1985 an initial evaluation of the projects received in response to a call for proposals⁵ resulted in the selection of 55 projects involving 151 laboratories.⁶ From this second evaluation 28 further projects were adopted in which 68 different laboratories were to participate, and all the existing funds were committed. These projects are distributed as follows: five in the contextual measures sector

¹ MAC: multiplexed analogue components.

² OJ C 59, 2.4.1986; Bull. EC 1-1986, point 2.1.37.

³ COM(86) 221 final.

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

⁵ OJ C 45, 16.2.1985; Bull. EC 2-1985, point 2.1.139.

⁶ Bull. EC 11-1985, point 2.1.196.

(mainly bio-informatics); six in the enzyme engineering sector (including protein design); four on the genetic engineering of micro-organisms of importance to agriculture; eight on the genetic engineering of industrial micro-organisms (this sector covers research relating to risk assessment); five on the genetic engineering of animal cells and of substances of interest from a veterinary standpoint. In addition, 200 interesting proposals are being kept in reserve pending a possible increase in the programme's budgetary allocation when it is next reviewed.

2.1.32. Three meetings held during the first half of April at Cambridge, Compiègne and Cork made it possible to complete the review of the Community biomolecular engineering programme (April 1982-March 1986)¹ begun at Wageningen in January.² The sectors of the programme dealt with at these meetings were, respectively, the genetic engineering of viral and cellular genes of importance to stock-farming, the second generation of bioreactors and the genetic engineering of micro-organisms of importance to the agri-foodstuffs industry.

Health and safety

2.1.33. From 7 to 9 April in Milan, the Commission, acting jointly with the Italian National Research Council, held an international conference with the title 'Lead, chromium and thallium: toxicity, impact on the environment and health, controls'. The papers presented at the conference concern the effects on health and the environment of these three heavy metals, in both large doses and low concentrations. These subjects are being studied under the Community's environment programmes (→ point 2.1.25), and research is being done at the JRC's Ispra Establishment.

Development aid

2.1.34. As part of the programme of science and technology for development,³ the

Commission held a symposium in March at the JRC Ispra Establishment on methods and strategies for the integrated control of the tsetse fly. The purpose of the symposium, which was attended by 30 high-level experts from Member States, international organizations (FAO, WHO) and the African countries concerned (Kenya, Zimbabwe, Nigeria and Burkina Faso), was to take stock of the various experiments on control of the tsetse fly, the insects which act as the vectors for trypanosomiasis, one of the major obstacles to the development of stock-raising in tropical Africa. The conclusions reached at the symposium revealed the advantages and the importance of an integrated vector-control strategy coordinating the various approaches: chemical control (by means of insecticides), trapping and the release of sterile insects.

Industrial innovation and the information market

Transnational measures to promote innovation

2.1.35. The working group on design held its second meeting⁴ in Luxembourg on 21 April, with representatives from Spain taking part for the first time. After reviewing work under way and welcoming the forthcoming appearance of the first of a series of Eurodesign publications, the group moved on to consider proposals for new projects, the most important of which concerns the setting-up of a European Design Prize. The outline proposals met with unanimous approval, and the prize competition will be held for the first time in 1987. Although details are yet to be finalized, criteria for the awarding of the prize will be oriented towards small and medium-

¹ OJ L 375, 30.12.1981.

² Bull. EC 1-1986, point 2.1.40.

³ OJ L 352, 14.12.1982.

⁴ First meeting: Bull. EC 1-1986, point 2.1.43.

sized enterprises and products of a transnational character. Several categories are planned, including ones for product and graphic design. It is hoped to obtain the sponsorship of a number of large companies. Aimed at improving awareness in firms of the importance of design as a key factor in industrial competitiveness, especially with regard to the development of new products and the corporate image of companies, the European Design Prize should also have a spectacular effect in promoting the image of European design throughout the world.

Discussion on the directions future transnational work should take focused on the need to include in the design programme cultural and educational aspects which, although of a longer-term nature, may be vital factors contributing not only to the training of the next generation of designers and to making society at large more design conscious but also to the reinforcing of the feeling of a common European identity.

Development of a European information market

2.1.36. On 16 April a workshop was held in Luxembourg to discuss the respective roles of the public and private sectors within the Community's information market. Draft 'Guidelines for the public sector on the provision of database services', distributed in advance by the Commission, were largely supported by the participants, with some modifications. There will be further consultation with representatives from both sectors, including the European Association of Information Services, the European Information Providers' Association, the Confederation of Information Communication Industries and the Commission's Senior Officials Advisory Group, before specific action is considered.

Specialized information

2.1.37. Under the Community's five-year programme (1984-88) for the development

of the specialized information market,¹ the Commission published a call for tenders for a study to examine the state of the art in electronic image banks.²

Customs union

Simplification of customs formalities

Single document

2.1.38. On 8 April the Council adopted,³ on a proposal from the Commission,⁴ a Regulation amending that of 8 July 1985 introducing Community export and import declaration forms.⁵ The amending Regulation delegates to the Commission the power to adopt implementing provisions, in particular as regards drawing up the codes to be used in trade between the Community and non-member countries.

Customs Convention on Containers

2.1.39. On 28 April the Council amended the negotiating directives⁶ on an amendment to the 1972 Customs Convention on Containers which it had given to the Commission on 30 April 1985.⁷

General legislation

Goods returned to the customs territory of the Community

2.1.40. On 17 April the Council adopted a Regulation,⁸ on a proposal from the

¹ OJ L 314, 4.12.1984.

² OJ C 92, 18.4.1986.

³ OJ L 97, 12.4.1986.

⁴ OJ C 348, 31.12.1985; Bull. EC 12-1985, point 2.1.44.

⁵ OJ L 179, 11.7.1985; Bull. EC 7/8-1985, point 2.1.35.

⁶ Bull. EC 3-1986, point 2.1.55.

⁷ Bull. EC 4-1986, point 2.1.21.

⁸ OJ L 105, 22.4.1986.

Commission,¹ amending that of 25 March 1976² by virtue of which goods reimported into the customs territory of the Community after being exported from the Community may, subject to certain conditions, be readmitted free in whole or in part of import duties.

Mutual administrative assistance between Member States

2.1.41. On 18 April Parliament delivered³ an opinion on the proposal⁴ to amend the Council Regulation of 19 May 1981 on mutual assistance between the administrative authorities of the Member States and cooperation between them and the Commission to ensure the correct application of the law on customs or agricultural matters.⁵ Parliament was, in principle, in favour of the amendments proposed by the Commission but considered them still inadequate for the purpose of effectively countering frauds committed at the expense of the Community budget. It took the view that if fraud was to be countered effectively, officials of the Commission and the Member States would have to carry out joint investigations when there was reason to suspect that irregularities had occurred.

Customs procedures with economic impact

Outward processing

Accession-related measures

2.1.42. Further to its Regulation of 10 February,⁶ on 4 April the Commission adopted⁷ a Directive amending in respect of accession compensatory amounts that of 4 June 1976 on the calculation of total or partial relief from import duties under the outward processing procedure.⁸

Customs warehouses, free zones and free warehouses

2.1.43. On 14 April Parliament delivered an opinion³ on the two proposals for

Council Regulations on customs warehouses and free zones and free warehouses.⁹ While welcoming the intention to introduce uniform customs legislation in this matter, it considered none the less that the provisions relating to customs warehouses required greater simplification. It also regretted the fact that the Commission had not yet proposed a uniform customs legislation code covering all sectors.

Common Customs Tariff

Restructuring of tariffs on certain electronic products

2.1.44. In the light of the agreement on certain electronic products concluded with Japan on 24 January, the Council amended on 8 April its Regulation of 28 June 1968 on the Common Customs Tariff (→ point 2.2.15).

Nomenclature

2.1.45. On 8 April the Commission adopted a Regulation¹⁰ to ensure uniform application of the CCT nomenclature, classifying key-rings under subheading 73.40 B. On 23 April it adopted two further regulations, the first classifying typewriters incorporating a calculating device under subheading 84.52 B¹¹ and the second classifying silicon discs mounted on a molybdenum support under subheading 85.21 D II.¹¹

¹ OJ C 87, 29.3.1984; Bull. EC 3-1984, point 2.1.37.

² OJ L 89, 2.4.1976.

³ OJ C 120, 20.5.1986.

⁴ OJ C 267, 18.10.1985; Bull. EC 10-1985, point 2.1.38.

⁵ OJ L 144, 2.6.1981.

⁶ OJ L 36, 12.1.1986; Bull. EC 2-1986, point 2.1.50.

⁷ OJ L 125, 13.5.1986.

⁸ OJ L 153, 12.6.1976.

⁹ OJ C 283, 6.11.1985; Bull. EC 10-1985, point 2.1.41.

¹⁰ OJ L 95, 10.4.1986.

¹¹ OJ L 108, 25.4.1986.

2.1.46. The Committee on Common Customs Tariff Nomenclature adopted a number of tariff measures—in the form of explanatory notes or agreements on the classification of goods—involving the following subheadings: 62.04 B and 64.04;¹ 90.28 A II a).²

Economic tariff matters

Suspensions

2.1.47. On 17 April the Council adopted a Regulation³ temporarily suspending the autonomous CCT duty on 2-methylpropane-2-ol (*tert*-butylalcohol) with a purity of not less than 90% but not more than 96% by weight, falling within CCT subheading ex 29.04 A III a).

Tariff quotas

2.1.48. In April the Council adopted four Regulations opening, allocating and providing for the administration of Community tariff quotas for:

- (i) fresh table grapes falling within CCT subheading ex 08.04 A I originating in Cyprus (1986);⁴
- (ii) new potatoes falling within CCT subheading 07.01 A II b) originating in Cyprus (1986);⁴
- (iii) certain prepared or conserved fish falling with CCT subheading 16.04 G II.⁵

Accession-related measures

2.1.49. The Council adopted the following in connection with the accession of Spain:

- (i) a Regulation amending Regulation No 3673/85⁶ in respect of the Community tariff quota for newsprint;³
- (ii) a Regulation amending Regulations No 1520/85, No 1521/85 and No 1522/85⁷ in respect of Community tariff quotas for certain wines originating in Spain;⁸

(iii) a Regulation amending Regulations No 3130/85,⁹ No 3131/85⁹ and No 3808/85¹⁰ concerning Community tariff quotas for certain products falling within Chapter 27, heading No 55.09 and subheading 06.02 A II respectively of the Common Customs Tariff originating in Spain or the Canary Islands.⁸

Competition

Restrictive practices, mergers and dominant positions: specific cases

Prohibited horizontal agreements

Polypropylene

2.1.50. The Commission imposed fines totalling 57.85 million ECU on 15 petrochemical producers, mainly multinationals, operating a market-sharing and price-fixing cartel in the polypropylene market in contravention of Article 85(1) of the EEC Treaty.

Polypropylene is a primary bulk thermoplastic product and is a key intermediate product in the plastics processing industry. It has an extensive range of uses which include the manufacture of packaging film and tape, rope, clothing, automotive parts, household goods and other consumer articles. It can also be used as a substitute for wood, metals, paper, textiles, jute and

¹ OJ C 95, 23.4.1986.

² OJ C 102, 29.4.1986.

³ OJ L 103, 19.4.1986.

⁴ OJ L 109, 26.4.1986.

⁵ OJ L 118, 7.5.1986.

⁶ OJ L 354, 30.12.1985; Bull. EC 2-1985, point 2.1.55.

⁷ OJ L 150, 8.6.1985; Bull. EC 5-1985, point 2.1.29.

⁸ OJ L 108, 25.4.1986.

⁹ OJ L 304, 16.11.1985; Bull. EC 10-1985, point 2.1.43; OJ L 44, 21.2.1986; Bull. EC 2-1986, point 2.1.58.

¹⁰ OJ L 367, 31.12.1985; Bull. EC 12-1985, point 2.1.55.

other plastics such as polystyrene and polyvinyl chloride.

Following surprise investigations carried out by its officials in 1983, the Commission found that the cartel began operating in 1977, when seven new producers of polypropylene entered the market. In consideration of the new entrants agreeing to join a price cartel, the existing producers were willing to make room for them in the market.

The 15 firms involved and the fines imposed on each were:

	<i>(million ECU)</i>
Montepolimeri, Milan	11
ICI, London	10
Hoechst, Frankfurt	9
Shell International Chemical, London	9
Hercules Chemicals, Brussels	2.75
Huels, Marl (Germany)	2.75
DSM, Heerlen (Netherlands)	2.75
BASF, Ludwigshafen	2.5
Solvay, Brussels	2.5
Ato Chem, Paris	1.75
Linz, Austria	1.0
Statoil, Norway (as successor of Saga Petrokjemi)	1.0
ANIC (part of ENI), Milan	0.75
Petrofina, Brussels	0.6
Rhône-Poulenc, Paris	0.5

Most of the 15 producers held regular 'bosses' (directors or senior managers) and 'experts' (marketing managers) meetings twice monthly in order to set 'target prices' and to decide on the details of coordinated 'price initiatives' (concerted efforts to raise prices) and to implement and monitor, where appropriate, a system of annual quotas. The producers also met frequently at local level to discuss the detailed implementation of the agreed measures in national markets, often discussing even the price of the individual truck-loads to each consumer.

The four largest producers—Montepolimeri (part of Montedison), Hoechst, ICI and Shell—which account for 50% of the polypropylene market in the Community, formed the nucleus of the arrangement and constituted an unofficial directorate, the members of which considered themselves to have a special responsibility for ensuring the success of the cartel. From 1982 this unofficial directorate, which became known as 'the big four', met the day before the 'bosses' meetings.

The other firms were frequent attenders at cartel meetings and acted to implement the cartel decisions. A few firms participated for a shorter duration than the others. Two non-Community producers which carry out the bulk of their business in the Community also participated in the cartel. The procedure as to their involvement in the cartel has been carried out in accordance with the 1979 OECD recommendation on cooperation in the field of restrictive business practices affecting international trade.

The pervasive nature of these restrictive practices was such as to affect trade and distort competition within the common market. A system of regular institutional meetings between producers sought to allocate market shares and fix prices, thus entailing an overall plan to manipulate the polypropylene market, which is valued at 1 500 million ECU. Distorting the selling price of such a key product is harmful to thousands of industrial users of polypropylene within the common market.

Commenting on the Commission's decision, Mr Sutherland, the Commission Member with special responsibility for competition, made the following statement:

'Last year the Commission established as a strategic priority the aim to complete the internal market by 1992. Competition policy is an important instrument in this strategy. The Commission has sought through positive competition measures to encourage greater European integration and facilitate cooperation among European enterprises so that the competitiveness of European industry can be strengthened, and the economies of scale resulting from exemption regulations have sought to stimulate beneficial cooperative activity in pro-

duction and distribution in various sectors of economic activity. The Commission is determined to build upon this positive approach. The corollary to this positive action however is that the Commission will act to maintain competition if firms are discovered to have participated in restrictive practices and anticompetitive behaviour which can cause serious damage to other producers and consumers in the common market.

Market-sharing and price-fixing are particularly serious violations of the competition rules of the Treaty. Producers and consumers can only reap the benefits of the internal market if competition in the market is not distorted. The need to safeguard competition is particularly important in the case of key industrial products such as polypropylene.

The Commission on several occasions last year made clear its policy of imposing fines at a level sufficient to deter serious violations of the competition rules. Under Regulation 17 (1962) firms participating in an infringement may be fined up to 10% of their total turnover in the preceding financial year. In line with this policy, the Commission has decided to impose on each undertaking participating in the polypropylene cartel fines which reflect the serious and deliberate nature of this infringement.'

State aids

General aids

Germany

2.1.51. On 19 April the Commission decided to initiate the Article 93(2) procedure in respect of a Bavarian development programme to promote small businesses by granting loans at reduced rates. The Commission took this decision in order to obtain assurance that the programme will not be applied in sensitive industries.

Italy

2.1.52. On 23 April the Commission decided that the Italian Government's scheme to aid a firm in the fine chemicals industry did not meet the conditions required in order to qualify for exemption under Article 92(3). It took the view that the aid in question would not, in fact, benefit an innovatory operation helping to achieve an

objective of Community interest and took a final decision not to allow the scheme.

Regional aids

Germany

2.1.53. On 19 April the Commission decided to initiate the Article 93(2) procedure in respect of the development programme for Bavaria notified to it by the German Government, the aim of which is 'to improve the region's economic structure'.

The Commission came to its decision because of the lack of transparency in the grants initially planned for highly skilled jobs and in the overlapping of regional and general aid and because from 1 July 1986 some assisted regions will no longer be included in the joint Federal Government/*Länder* programme (Gemeinschaftsaufgabe) for improving regional economic structures.

Industry aids

Pulp industry

France

2.1.54. On 23 April the Commission decided to terminate the Article 93(2) procedure it had initiated on 26 April 1983¹ in respect of aid granted to a Strasbourg pulp mill. The procedure was initiated for two reasons: the Commission had no information on the nature of the aid or on any restructuring measures that might justify it, and the aid had not been notified in compliance with Article 93(3).

During the course of the procedure, the French Government pointed out that the aid, in the form of grants amounting to FF 31 million, had enabled the Strasbourg mill to separate itself from the group of which it formed part, the group having filed

¹ OJ C 153, 11.6.1983.

its petition for bankruptcy, to carry out the necessary investment for resuming its activities—following three months of shut-down—in the form of a new legal entity, and thus to become profitable.

On the basis of this information and the comments submitted by other interested parties, the Commission concluded that the aid qualified for exemption under Article 92(3)(c).

Textiles and clothing

France

2.1.55. On 23 April the Commission decided to initiate the Article 93(2) procedure in respect of two French aid schemes for the textile industry and the clothing, knitwear and hosiery industries, funded by means of parafiscal charges.

The Commission had already taken decisions finding against aid schemes of this kind in 1983 and 1985.¹

In this instance the Commission took the view that, since the two schemes were not notified in advance, they had been in breach of Community law since their introduction and, on the information available to it, that the schemes were not compatible with the common market within the meaning of Article 92.

Motor vehicle components and machine tools

Italy

2.1.56. On 9 April the Commission decided to initiate the Article 93(2) procedure in respect of a proposed scheme notified by the Italian Government to grant aid for restructuring investment, under Act No 675/77, to a firm producing motor vehicle components and machine tools. The proposed aid consists of a soft loan of LIT 2 300 million and interest subsidies on a LIT 7 668 million loan. The investment plan (1982-87) will allow three production

lines to be modernized and will have the effect of improving the firm's competitiveness and restoring its financial equilibrium.

On the information available to it, the Commission concluded that the aid in question is not covered by Act No 675/77 and does not appear to comprise any features that would allow it to qualify for exemption under Article 92.

Steel

2.1.57. On 26 April the Commission adopted a report, to be sent for information to Parliament and the ECSC Consultative Committee, on the application of the rules on aids to the steel industry, 1984-85 (→ point 2.1.19).

Shipbuilding

2.1.58. On 23 April the Economic and Social Committee adopted a supplementary opinion (→ point 2.4.50) on guidelines for a Community policy in the shipbuilding sector. This follows the opinion it delivered in September 1984² on the Commission proposal to extend to December 1986³ the fifth Council Directive of 28 April 1981 on aid to shipbuilding.⁴

Air transport

2.1.59. On 30 April the Court of Justice gave judgment in the *Nouvelles Frontières* case, confirming that the general rules of the Treaty, including Articles 85 and 86, apply to air transport.⁵

¹ OJ L 268, 30.9.1983; OJ L 217, 14.8.1985.

² OJ C 307, 19.11.1984; Bull. EC 9-1984, point 2.4.20.

³ OJ C 86, 28.3.1984; Bull. EC 2-1984, point 2.1.48.

⁴ OJ L 137, 23.5.1981; Bull. EC 4-1981, point 2.1.20; OJ L 371, 30.12.1982; Bull. EC 12-1982, point 2.1.45; Bull. EC 10-1982, point 2.1.26; OJ L 2, 3.1.1985; Bull. EC 12-1984, point 2.1.68; Bull. EC 11-1984, point 2.1.43.

⁵ Joined Cases 209 to 213/84 *Ministère Public v Asjes and Others*. The judgment will be analysed in detail in the quarterly review of cases in the 'Court of Justice' section of Bulletin 7/8-1986.

Financial institutions and taxation

Financial institutions

Banks and other financial institutions

Coordination of banking legislation

2.1.60. On 17 April the Council, acting on a proposal from the Commission,¹ authorized² Denmark, Greece, Ireland, the Netherlands and the United Kingdom to defer until 15 December 1988 application of the Directive of 12 December 1977 on the coordination of the laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions.³

The deferment affects mainly the Agricultural Bank of Greece, the National Mortgage Bank of Greece, the Trustee Savings Banks in Ireland and the United Kingdom and the State Savings Bank in the Netherlands. It was required because the Member States had had difficulties in adjusting the rules and regulations governing these institutions. No further deferment will be granted.

Stock exchanges and other institutions in the securities field

2.1.61. On 22 April the Commission transmitted to the Council a proposal for a Directive⁴ amending the Directive of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (Ucits),⁵ as regards jurisdiction in disputes arising from the marketing of units of Ucits.

Employment, education and social policy

Employment⁶

Standing Committee on Employment

2.1.62. The Standing Committee on Employment held its 31st meeting on 24 April, with Mr J. de Koning, Minister of Employment and Social Security of the Netherlands, in the chair.⁷ The meeting was devoted to an in-depth discussion of the elements of a forward-looking labour market policy, based on a Commission staff paper.

At the end of the meeting, the Chairman drew the following conclusions:

'The Committee continued the discussion begun at its meeting on 20 December 1985, focusing its attention on the role of and possibilities for a forward-looking labour market policy.

The Committee reaffirmed that the fight against unemployment was a priority objective for the Community. On a macroeconomic level, the Community's cooperative strategy for growth and employment—approved by the Council on 20 December 1985⁸ on a proposal from the Commission⁹—should create the general conditions and environment likely to lead to the creation of genuine employment in efficient and competitive undertakings.

In this connection, all parties on the Committee confirmed their general support for this strategy and their willingness to make every possible effort to ensure that it succeeded.

The Committee agreed on the need to improve the operation of the labour market, using, among other things, a complementary approach involving

¹ Bull. EC 10-1985, point 2.1.52.

² OJ L 106, 23.4.1986.

³ OJ L 322, 17.12.1977.

⁴ OJ C 129, 28.5.1986; COM(86) 193 final.

⁵ OJ L 375, 31.12.1985; Bull. EC 12-1985, point 2.1.82.

⁶ For the employment situation in the steel industry, see point 2.1.17.

⁷ Bull. EC 12-1985, point 2.1.88.

⁸ OJ L 377, 31.12.1985.

⁹ Bull. EC 10-1985, point 1.3.1 *et seq.*

a forward-looking labour market policy at regional, local and sectoral level.

This forward-looking labour market policy should be such as to be able to exert a genuine influence on all participants in the economic process, taking account both of existing forecasting possibilities and of the variety of situations in an inter-dependent world market economy.

A forward-looking policy would take account of structural problems at regional and local level which were still far from being resolved, and of the conditions necessary for the creation of an economic and social environment favourable, in particular, to small and medium-sized undertakings.

It was recognized that, although much positive action had already contributed to progress in this area, further initiatives were necessary to exploit the potential of the labour market at regional and local level.

The Committee considered that to be effective, a forward-looking labour market policy must involve:

(i) prior consultation of management and labour by the public authorities before the latter took any decision concerning employment;

(ii) close cooperation between all concerned (management and labour, public authorities, other bodies and services) in areas delimited by pragmatic criteria rather than administrative subdivisions (employment "catchment areas", districts, etc.);

(iii) greater efforts on the part of undertakings to indicate probable employment trends and the qualifications likely to be required in the future;

(iv) exchanges of information and forecasts, in forms appropriate to each individual case, between undertakings and other parties concerned in order to identify as far as possible future needs for initial or further training and retraining and future employment trends; taking account of the introduction of new technologies and changes in the organization of work, new job profiles and the content of new occupations should be identified to enable the training system to be adapted;

(v) the consequent adaptation of education, training and retraining programmes inside and outside undertakings to new needs identified by the forward-looking labour market policy;

(vi) the design and implementation by flexible means, including the conclusion of agreements as necessary, on other measures conducive to the development of employment, particularly for the young and long-term unemployed; an examination should be made, in particular, of practical pro-

cedures for responding more effectively to the specific needs of small and medium-sized undertakings.

The Committee believed that a policy of this kind should, furthermore, try to avoid the pitfalls of excessive red tape and the risk of distortion of competition between different geographical areas.

It stressed the need to encourage the role of catalyst which could be played by a leading figure or a local body or association, as the case might be.

In this connection, several Committee members considered it necessary to set up a structure to act as a coordination and orientation centre, initiated or made available by a person, a body, an association or a local or regional authority.

The Committee pointed out:

(i) the forward-looking labour market policy would gain in effectiveness if exchanges of information on similar experiences throughout the Community were possible, and

(ii) that promotion of the recognition and equivalence of professional qualifications at Community level was essential for the success of the forward-looking labour market policy, particularly in border areas.

In conclusion, the Committee—in line with the above approach—expressed its support for a new Commission programme on a forward-looking labour market policy which it requested the Commission to implement rapidly, setting up pilot projects to enable the evaluation, after a suitable time, of the achievements, potential and shortcomings of this policy, and submitting appropriate proposals.'

Relations with the two sides of industry

2.1.63. At the Val Duchesse meeting on 12 November 1985, two working parties were set up—one on macroeconomics and one on new technologies and the social dialogue. They were made up of representatives of the two sides of industry and met for the first time at the end of March (→ point 2.4.21).

Financial instruments

European Social Fund

2.1.64. Parliament having delivered its opinion,¹ the Commission adopted guide-

¹ OJ C 88, 14.4.1986; Bull. EC 3-1986, point 2.1.73.

lines for the management of the European Social Fund for 1987-89 on 30 April.

Budgetary constraints and a concern for effectiveness led the Commission to reinforce the geographical concentration of Fund intervention in accordance with the 1986-88 guidelines.¹ The selection criteria were tightened up also.

Education and vocational training

Higher education

2.1.65. On 23 April the Economic and Social Committee delivered an opinion (→ point 2.4.47) endorsing the draft European Community action scheme for the mobility of university students (Erasmus).²

Training of inshore fishermen

2.1.66. Among the measures it takes to develop a common training policy in the sea fisheries sector,³ the Commission promotes exchanges between Community countries regarding vocational training. The Irish mobile training unit visited southern Brittany from 14 April to 2 May. This visit, proposed by the two sides of industry on the Joint Committee on Social Problems in Sea Fishing, was made possible by close cooperation between the Irish Sea Fisheries Board (BIM), a fisheries radio service based on Quimper (RAP) and Agence de gérance des écoles maritimes et d'aquaculture (the management agency for maritime and aquaculture training schools).

Living and working conditions and social protection

Equal opportunities for men and women

2.1.67. On 23 April the Economic and Social Committee delivered a favourable opinion (→ point 2.4.49) on the new medium-term Community programme on equal opportunities for women—1986-90.⁴

Social integration of the handicapped

2.1.68. A meeting of the liaison group on the problems of handicapped people,⁵ organized by the Commission, was held in Brussels on 16 and 17 April.

The organizers of the district projects on social integration of the handicapped attended on the second day; discussions focused on the priorities to be established for future Community action in this field.

2.1.69. On 23 April the Economic and Social Committee delivered a favourable opinion (→ point 2.4.46) on the draft Council recommendation to promote the employment of handicapped people.⁶

Social security for migrant workers

2.1.70. On 15 April the Commission transmitted to the Council a proposal⁷ to amend Regulations No 1408/71⁸ and No 574/72⁹ on the application of social security schemes to employed persons, self-employed persons and their families moving within the Community. The proposal is designed to regulate the position of employed and self-employed persons working in two or more Member States.

European social dialogue at industry level

2.1.71. Experts from the employer's and worker's organizations in a branch of the metalworking industry—machine tool manufacture—met on 7 April to assess the study on the social aspects of technological

¹ OJ L 133, 22.5.1985; Bull. EC 4-1985, point 2.1.52.

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

³ Bull. EC 5-1985, point 2.1.46.

⁴ Supplement 3/86 — Bull. EC; OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.106.

⁵ Bull. EC 2-1986, point 2.1.78.

⁶ Bull. EC 1-1986, point 2.1.66.

⁷ OJ C 103, 30.4.1986; COM(86) 166 final.

⁸ OJ L 149, 5.7.1971.

⁹ OJ L 74, 27.3.1972.

developments relating to the European machine tool industry.

They agreed to set up a working party to examine retraining programmes and demonstration projects relating to vocational training in the new technologies in order to identify progress made—and deficiencies—in relation to the industry's current needs. It was agreed that work on new job descriptions should be collated and discussed, and that any experience acquired regarding the relationship between job content and skills should be disseminated.

2.1.72. Experts from the employers' organizations and trade unions in the construction industry attended a technical meeting on 14 April to assess a study on employment and housing renovation in four Member States. On the basis of their conclusions, which underline the growth of the industry and the employment it generates, but stress the substantial effort needed in terms of modernization and training, the experts suggested several themes for action at Community level: harmonization of statistics and the development of knowledge about the industry; selective research on tax measures with a real impact on maintenance and improvement works; organization of training courses and exchanges of instructors. They agreed to continue technical discussions on the basis of these suggestions and reiterated the request that a coordination unit for the construction industry be set up in the Commission.

Health and safety

Public health

2.1.73. On 3 and 4 April a seminar on cocaine and the mass media was held in Luxembourg, attended by experts in various disciplines from the Member States and the United States. An exchange of views took place on the influence of the mass media on drug addiction among various population groups in the Member States and the USA, with a view to preparing a series of practical

recommendations for a European strategy for combating drug addiction through the mass media.

Health and safety at work

2.1.74. On 23 April the Economic and Social Committee endorsed (→ point 2.4.48) the proposal for a Council Directive on the protection of workers from the risks associated with exposure to benzene at work.¹

Health and safety (Euratom)

2.1.75. On 11 April, acting under Article 33 of the Euratom Treaty, the Commission expressed a favourable opinion on a draft regulation on radiation protection prepared by Denmark in implementation of the Council Directives of 15 July 1980² and 3 September 1984³ amending the Directives laying down the basic safety standards for the health protection of the general public and workers against the dangers of ionizing radiation.

2.1.76. On 25 April, acting under Article 33 of the Euratom Treaty, the Commission expressed a favourable opinion on the plan for the disposal of radioactive waste from the SNR 300 nuclear power station at Kalkar, Federal Republic of Germany.

2.1.77. In order to ensure that evaluation of exposures to ionizing radiation are of high quality, the Commission has initiated a European programme for the intercomparison of measuring instruments used in personal dosimetry. Some 30 representative laboratories in Member States and several non-Community countries are participating in this programme.

2.1.78. Following the adoption by Parliament on 20 February of three resolutions on the incidents at the reprocessing plant

¹ OJ C 349, 31.12.1985; Bull. EC 11-1985, point 2.1.88.

² OJ L 246, 17.9.1980; Bull. EC 7/8-1980, point 2.1.54.

³ OJ L 265, 5.10.1984; Bull. EC 9-1984, point 2.1.55.

at Sellafield, in the United Kingdom,¹ the second extraordinary meeting in 1986 of the group of scientific experts on radiation protection and public health referred to in Article 31 of the European Treaty was held in Brussels on 11 April.²

Culture

Action programme for film and TV productions

2.1.79. On 23 April the Commission adopted for transmission to the Council guidelines for an action programme to promote the European media software industry,³ as requested by the Ministers for Cultural Affairs meeting within the Council on 20 December 1985.⁴

This programme forms an integral part of the Community's audiovisual policy, which has three components:

- (i) a Directive to eliminate technical obstacles by adopting common technical specifications of the MAC/packet family of standards for direct satellite television broadcasting;⁵
- (ii) a Directive to eliminate legal obstacles by coordinating certain provisions in the Member States relating to broadcasting;⁶
- (iii) the proposed programme,³ which concerns the content of the networks and markets and is designed to meet the concerns of the industry.

Faced as it is with the expansion of new technologies, the European audiovisual industry must develop original productions to match outside competitors and must promote its productions throughout the extended market of the entire Community. The action programme therefore advocates practical experimental projects, devised after consultation with those concerned, the results of which will be generally available.

The consultations will take the form of round-table discussions, and the projects will be managed on the basis of detailed

specifications. They will be financed in conjunction with interested parties.

Each planned round-table discussion will deal with one of the major themes of the programme, namely distribution and production. Financing will have to be considered too, and new credit structures must be sought—both nationally and at Community level.

Where distribution is concerned, there are two major objectives: the need to step up multilingualism in audiovisual productions to help overcome language barriers, and improving distribution systems so that European productions are guaranteed more showings in cinema circuits, on television and in the new media.

As regards production, new forms of co-production, taking particular account of the transnational broadcasting facilities which satellites will provide, will have to be attempted. At the same time, new production methods will have to be developed, audiovisual archives exploited to the full and investigations made into emerging techniques.

Conservation of the Community's architectural heritage

2.1.80. The Commission published a communication in the *Official Journal*⁷ outlining the financial backing it intends to provide for pilot projects to conserve the Community's architectural heritage.

The Commission's support will be confined to monuments and sites of European renown which illustrate some aspect of the national or regional architectural heritage of the Community by reason of their artistic

¹ OJ C 68, 24.3.1986; Bull. EC 2-1986, point 2.1.87.

² The first extraordinary meeting in 1986 had been held in Brussels on 23 and 24 January. For 1985, see Bull. EC 10-1985, point 2.1.72.

³ COM(86) 255 final.

⁴ Bull. EC 12-1985, point 2.1.122.

⁵ OJ C 59, 2.4.1986; Bull. EC 1-1986, point 2.1.37.

⁶ Bull. EC 3-1986, point 1.2.1 *et seq.*

⁷ OJ C 97, 25.4.1986.

value or historical interest in bearing witness to the living and working conditions of a given section of the population. A total of 500 000 ECU is envisaged for this purpose in 1986 to support up to 15 pilot projects. A decision on whether or not to provide financial support will be taken by the Commission, on expert advice, by 30 November at the latest.

A people's Europe

Strengthening the Community's image and identity

Community flag, emblem and anthem

2.1.81. The Ministers of Foreign Affairs meeting on 21 and 22 April took note of a statement by the President to the effect that the Council will display the Community flag and emblem as requested in the final report of the *ad hoc* Committee on a People's Europe.¹

The other Community institutions (Parliament, the Commission and the Court of Justice) have adopted the same position.

The flag is a blue rectangle with a circle of 12 five-pointed gold stars in the centre. It will be flown in front of Community institutions alongside the flags of the Member States.

Likewise, the 'Ode to Joy' from the fourth movement of Beethoven's Ninth Symphony will be played at European events.

Mr Carlo Ripa di Meana, the Member of the Commission with special responsibility for a people's Europe, issued the following statement after the Council meeting.

'This flag, which has already proved very popular as the flag of the Council of Europe, testifies to the Community's desire to become the centre and driving force of an integration movement which brings together all the countries of Western Europe

united by a common history, tradition and heritage. Almost 30 years after the signing of the Treaty of Rome, the Community has finally plucked up the courage to "go public". The flag will be raised at a solemn ceremony to be held in Brussels on 29 May in front of the headquarters of the Commission. The new European anthem, the prelude to Beethoven's "Ode to Joy" will be played ...'

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

Free movement of citizens

Tourism

2.1.82. Having received the opinions of Parliament and the Economic and Social Committee, on 29 April the Commission amended its proposal for a Council recommendation on fire safety in existing hotels (→ point 2.1.8).

Regional policy

Financial instruments

European Regional Development Fund

Application of ERDF Regulation

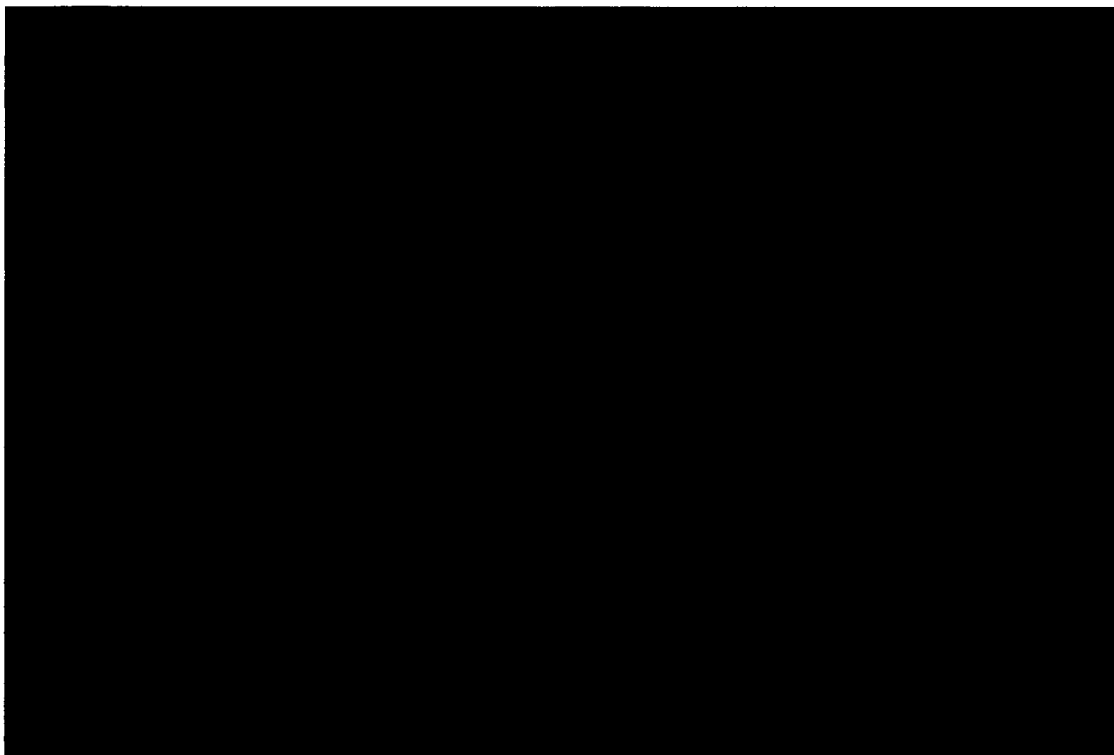
2.1.83. At the conclusion of the conciliation procedure between the Council, the Commission and Parliament in June 1984 on the reform of the ERDF,² the three institutions had agreed to have an exchange of views at least once a year on the implementation of the principles contained in the new Fund Regulation.³

¹ Supplement 7/85 — Bull. EC.

² Bull. EC 6-1984, point 1.3.1 *et seq.*

³ OJ L 169, 28.6.1984.

The Community flag

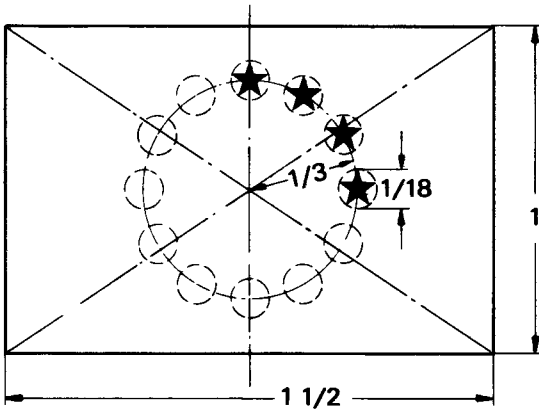


EUROPEAN ANTHEM

Theme of the Ode to Joy, from the fourth movement of Beethoven's Ninth Symphony

The musical score consists of four staves of music in G major (one sharp) and 4/4 time. The first staff begins with a forte (*f*) dynamic. The second staff includes a sforzando (*sf*) dynamic. The third and fourth staves also feature forte (*f*) dynamics. The music is characterized by a steady, ascending eighth-note pattern in the right hand, with a supporting bass line in the left hand.

Description of the Community flag



The Community flag is rectangular in form and blue in colour and has at its centre a circle of 12 five-pointed gold stars which do not touch.

Rectangle. The fly is one and a half times the length of the hoist.

Circle. The 12 gold stars are situated at regular intervals around the circumference of a non-visible circle whose centre is located at the point of convergence of the diagonals of the rectangle. The radius of the circle is equal to a third of the height of the hoist.

Stars. Each of the five-pointed stars is drawn within a non-visible circle whose radius is equal

to 1/18th of the height of the hoist. All the stars are positioned vertically, i.e. with one point facing upwards and two points resting on a non-visible line perpendicular to the flagpole. The stars are arranged like the hours on the face of a watch.

Colour. The heraldic blue is represented by light ultramarine. The heraldic gold is represented by dark chrome yellow.

The first of these discussions was held in Luxembourg on 21 April and covered the first year of application of the Regulation (1985).¹

Mr Alois Pfeiffer, the Commission Member with special responsibility for regional policy, presented an initial assessment of the guiding principles of the new Regulation, focusing on the resources deployed and results achieved and on the difficulties encountered during the first year of implementation.

While considerable progress had still to be made, the Commission considered that the measures taken during the past year had shown that the principles underlying the new Regulation provided a firm basis for developing and reinforcing the effectiveness

and Community character of regional policy.

ERDF grants

Project financing

2.1.84. On 10 April the Commission approved the second allocation of grants for 1986 from the European Regional Development Fund: 106.43 million ECU for 364 investment projects costing a total of 238.02 million ECU. All the investment projects involved cost less than 5 million ECU each. The assistance granted under this allocation goes to the two new Member States, Spain and Portugal, and is distributed as shown in Table 7.

Table 7 — ERDF grants: second 1986 allocation

	Number of grant decisions	Number of investment projects	Investment associated (million ECU)	Assistance granted (million ECU)
Spain	21	72	133.73	58.21
Portugal	41	292	104.29	48.22
Total	62	364	238.02	106.43

The total of 106.43 million ECU breaks down as follows:

- (i) 1.75 million ECU to help finance four projects falling into the 'industrial, craft and service sectors' category;
- (ii) 104.67 million ECU to help finance 58 infrastructure projects.

This second ERDF allocation for 1986 brings the number of projects financed since the Fund was set up to 29 556 and the total assistance granted to approximately 14 307.62 million ECU.

Financing of studies

2.1.85. Acting under Article 24 of the Fund Regulation, the Commission decided on 14 April to grant 645 000 ECU to finance a study involving the preparation of a Com-

munity programme concerning research and technological policy objectives. This study is of special importance for the effective use of ERDF resources.

Fund Committee

2.1.86. The ERDF Committee met on 29 April to give its opinion on the draft grant decisions under the fourth 1986 allocation.

Business and Innovation Centres

2.1.87. The Commission decided in April to make a financial contribution under Item 7731 of the 1986 budget to the European Business and Innovation Centre Network

¹ OJ L 169, 28.6.1984.

(EBN), which was set up in November 1984 by Business and Innovation Centres (BICs) and agencies throughout the Community responsible for promoting such centres.¹

The EBN seeks to boost the efficiency of BICs situated in areas undergoing industrial conversion and lagging behind other regions by advising them on sound organization and management, helping them to cooperate in the fields of training, technology and the establishment of commercial links between businesses (joint ventures, cross-licensing, etc.), informing them of the possibilities of obtaining Community finance and inducing big industry and the financial community in Europe to support them.

The network has expanded significantly. Close on 20 BICs have been or are in the process of being set up in Community regional policy areas thanks to Community assistance. In addition, the EBN has acquired an international reputation among industrialists, financial institutions and public authorities so that it has been able to attract a large number of member centres and associate centres and appoint a Board of Directors comprising prominent European personalities.

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2.1.88. On 18 April Parliament adopted a resolution on the effects of the common agricultural policy on the socio-economic situation of the regions (→ point 2.4.13).²

Coordinated application of structural financial instruments

Report on structural assistance in 1986

2.1.89. On 2 April the Commission transmitted to the Council and to Parliament a report on structural assistance in 1986. The report was drawn up to clarify the financial and budgetary situation of the three structural Funds (EAGGF Guidance Section,

European Social Fund, European Regional Development Fund) (→ points 1.1.8 to 1.1.10).

Integrated Mediterranean programmes

Preparatory measures

2.1.90. On 16 April the Commission took a number of grant decisions, involving a total of some 5 million ECU, in respect of measures in preparation for IMPs (Article 550 of the budget):

(i) seven decisions providing extra assistance for operations in six regions in Greece and one region in Italy (Abruzzi) that had already received grants from the EAGGF Guidance Section or the ERDF;

(ii) five grant decisions in respect of operations under pilot actions in preparation for the IMPs launched in December 1985 (two new actions in Grevena, Greece, and in Umbria, Italy, and the extension/expansion of three actions launched in December 1983 on Lesbos, Greece, and in Sardinia and Lazio, Italy);

(iii) three grant decisions relating to studies in preparation for the IMPs in Italy.

Environment and consumers

Environment

2.1.91. On 29 and 30 April the Commission convened the first meeting of senior officials from the Member States to discuss its measures to harmonize rules on biotechnology. The agenda included a presentation of the Community approach to rules on biotechnology and the preparatory work done by the Commission. There was also an exchange of information on the priorities and policies of the Member States in this area. The Commission's main aim is to reach agreement on the assessment of risks

¹ Bull. EC 11-1984, point 2.1.82.

² OJ C 120, 20.5.1986.

to man and the environment, the creation of a regulatory framework conducive to industrial development and Community legislation which would avoid fragmentation of the Community market.

Prevention and reduction of pollution and nuisances

Protection of the aquatic environment

Protection of the Rhine

2.1.92. On 9 and 10 April in Koblenz the Commission took part in a further meeting on water supply, hygiene and effluent treatment under the Convention for the protection of the Rhine against Chemical Pollution.¹ Recommendations were drafted which will be submitted to the next full meeting, to be held in June.

2.1.93. The Commission also took part in the meeting of Heads of Delegations to the International Commission for the protection of the Rhine against Pollution held in The Hague on 11 April. It asked to receive the report of the international experts on tests to dispose of chlorides in the subsoil in France as soon as it appeared. The Heads of Delegations also continued negotiations on the draft convention on thermal pollution.

Limit values and quality objectives for discharges of certain dangerous substances

2.1.94. On 18 April Parliament adopted an opinion² on the proposal concerning limit values and quality objectives for the discharge of certain dangerous substances into the aquatic environment.³ It took the view that dangerous substances such as chloroform and carbon tetrachloride should be examined very closely, case by case, and that it should not be assumed as a matter of course that the draft list of 129 substances prepared by the Commission was necessarily accurate and satisfactory. Finally, it

expressed its concern at specific cases of pollution due to dangerous substances.

Surface water quality

2.1.95. The Economic and Social Committee approved unanimously (→ point 2.4.51) the amendments proposed by the Commission in November 1985⁴ to simplify and improve the existing procedure for the exchange of information on the quality of surface fresh water in the Community.⁵

Chemicals

Dangerous substances

2.1.96. On 18 April Parliament delivered a favourable opinion² on the proposal for a Directive laying down the principles of good laboratory practice for tests on chemical substances.⁶ It welcomed the close cooperation between the Community and the Organization for Economic Cooperation and Development in this area. It agreed that animal experiments should be reduced drastically and kept to the bare minimum, far beyond the limits resulting from the application of standard principles of good laboratory practice. It also expressed the hope that the OECD principles would not be applied only in laboratories carrying out control experiments on chemical substances, but also in all major laboratories conducting similar experiments.

Waste disposal

Transfrontier shipment of hazardous waste

Accession-related measures

2.1.97. On 8 April the Council adopted⁷ the Directive of 6 December 1984 on the

¹ OJ L 240, 19.9.1977.

² OJ C 120, 20.5.1986.

³ OJ C 70, 18.3.1985; Bull. EC 1-1985, point 2.1.30; Bull. EC 11-1985, point 2.1.109.

⁴ OJ C 321, 13.12.1985; Bull. EC 11-1985, point 2.1.111.

⁵ OJ L 334, 24.12.1977; OJ L 237, 5.9.1984.

⁶ OJ C 219, 29.8.1985; Bull. EC 7/8-1985, point 2.1.125.

⁷ OJ L 100, 16.4.1986.

supervision and control within the Community of the transfrontier shipment of hazardous waste¹ to take account of the accession of Spain and Portugal.

Protection and rational use of resources

Fauna and flora

Conservation of birds

Accession-related measures

2.1.98. On 8 April the Council adapted² the Directive of 2 April 1979 on the conservation of wild birds³ to take account of the accession of Spain and Portugal.

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2.1.99. In a resolution adopted unanimously on 18 April Parliament expressed its concern at the dangers of upsetting the ecological balance in Botswana and endorsed the Commission's proposals for improving environmental and animal protection in that country (→ point 2.4.13).⁴

Consumers

Physical protection and product safety

Exchange of information on accidents

2.1.100. On 22 April the Council formally adopted a Decision⁵ to set up a five-year demonstration project with a view to introducing a Community system for the exchange of information on home and leisure-activity accidents.⁶ The system's main purpose is to reduce the number of accidents involving consumer products through preventive measures, improved product safety and information, alerting and educating consumers and encouraging a more rational use of the products in question. To this end, data on accidents will be collected from

hospital emergency departments (90 in all) in the various Member States. The scheme, to be launched in the coming months, should become fully operational in 1987; the Community will contribute an estimated 7 million ECU in its first three years of operation.

The introduction of this information system will be a logical follow-up to the pilot project approved by the Council in July 1981⁷ and wound up in July 1984.

Foodstuffs

2.1.101. Pursuant to its communication of November 1985 on Community foodstuffs legislation, the Commission sent to the Council four proposals for directives in April (→ point 2.1.10).

Protection of children

2.1.102. With the new impetus being given to Community consumer protection policy,⁸ the Commission plans to organize a Community-wide information campaign on the protection of children in 1987 and 1988. Preparatory work started in Brussels on 10 April with the first meeting of experts in this field, who examined the main measures proposed and discussed general guidelines. They also decided to set up a Community advisory committee and national advisory committees in this area.

Consumer information, education and representation

Education

2.1.103. In an opinion delivered on 18 April⁴ Parliament welcomed the Com-

¹ OJ L 326, 13.12.1984; Bull. EC 12-1984, point 2.1.132.

² OJ L 100, 16.4.1986.

³ OJ L 103, 25.4.1979.

⁴ OJ C 120, 20.5.1986.

⁵ OJ L 109, 26.4.1986.

⁶ OJ C 117, 11.6.1985; Bull. EC 12-1984, point 2.1.137.

⁷ OJ L 229, 13.8.1981; Bull. EC 7/8-1981, point 2.1.73.

⁸ Bull. EC 6-1985, point 2.1.106.

mission proposal to incorporate consumer education in primary and secondary school curricula¹ and asked the budgetary authorities to make available the necessary appropriations for the full implementation of this action programme.

Consumers Consultative Committee

2.1.104. At its meeting on 21 and 22 April the Consumers Consultative Committee (CCC) adopted its work programme for 1986 and opinions on Commission proposals concerning mortgage credit,² hormones,³ infant formulae and follow-up milks⁴ and the designations used in the marketing of milk products (→ point 2.1.128). It adopted an opinion on the agricultural price proposals for 1986/87⁵ and discussed the reform of the common agricultural policy with Mr T. Tolman, Chairman of Parliament's Committee on Agriculture. The Bureau of the CCC also met Mr P.H. van Zeil, the current President of the Council, to discuss progress on consumer protection.

Agriculture

Council

2.1.105. The Agriculture Ministers met from 21 to 25 April, devoting their deliberations mainly to prices and related measures for 1986/87.⁶ This was the third opportunity for the Member States to set out their positions on the package as a whole.⁷

The Presidency invested considerable effort in each phase of the negotiations, with the energetic support of the Commission, to arrive at a compromise acceptable to the Member States.

Political agreement, by a qualified majority, was finally reached on 25 April on the complete package, including the related measures (→ points 1.4.1 *et seq.* and 2.1.106 to 2.1.114).

The Council will formally adopt the various measures it has decided upon as soon as possible.

In the mean time, the Council has made the extensions until 11 May required in the following sectors: milk products, beef/veal (including premiums), dried fodder and cauliflowers.⁸

Mr Andriessen, Commission Vice-President with special responsibility for agriculture, presented the main features of the socio-cultural measures which are to accompany the price proposals (→ point 1.3.1 *et seq.* and 2.1.116). The Council agreed to act on these measures before 1 August.

Lastly, the Council also adopted⁹ by a qualified majority the Commission's proposal aimed at cutting the cost of storage including interest charges.¹⁰ This involves reductions in Community reimbursements to the Member States from 8% to 7% in the case of financing costs incurred by the intervention agencies and from 100% to 75% in the reimbursement of technical storage costs. The two measures are expected to save the EAGGF Guarantee Section about 300 million ECU.

Agricultural prices and related measures for 1986/87

2.1.106. On 25 April the Council reached political agreement on the agricultural prices and related measures for 1986/87.

The Commission had presented its proposals on 12 February,⁶ and Parliament gave its opinion on 17 April.¹¹ The position of a majority of Members

¹ OJ C 238, 19.9.1983; Bull. EC 7/8-1985, point 2.1.133.

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

³ OJ C 313, 4.12.1985; Bull. EC 10-1985, point 2.1.112.

The proposal was adopted by the Council on 19 December 1985 (OJ L 382, 31.12.1985; Bull. EC 12-1985, point 2.1.173).

⁴ OJ C 28, 30.1.1985; Bull. EC 12-1985, point 2.1.17.

⁵ OJ C 53, 7.3.1986; OJ C 85, 14.4.1986; Bull. EC 2-1986, point 1.3.1 *et seq.* and point 2.1.107. The Council reached political agreement on these points on 25 April (→ point 1.4.1 *et seq.* and points 2.1.106 to 2.1.114).

⁶ OJ C 53, 7.3.1986; OJ C 85, 14.4.1986; Bull. EC 2-1986, point 1.3.1 *et seq.* and 2.1.107.

⁷ Bull. EC 2-1986, point 2.1.106; Bull. EC 3-1986, point 2.1.115.

⁸ OJ L 109, 26.4.1986.

⁹ OJ L 119, 8.5.1984.

¹⁰ OJ C 85, 14.4.1986; Bull. EC 2-1986, point 1.3.9.

¹¹ OJ C 120, 20.5.1986.

of Parliament on the price freeze was fairly close to that of the Commission (→ points 2.4.10 and 2.4.11).

The main features of the agreement reached in each sector are set out below.

Cereals

2.1.107. The Council decided that, from the 1986/87 marketing year beginning on 1 July 1986, a co-responsibility levy of 3% of the intervention price will be applied to cereals producers.

The purpose of the levy is to develop Community outlets and to give producers an indication of the nature of the market situation. The Commission will discuss with the industry how the proceeds of the levy are to be used.

The Council, acting on a proposal from the Commission, will fix the amount of the levy each year. The levy may not exceed the amount necessary to finance Community cereal production as defined in the Commission's initial proposal.

The co-responsibility levy will be collected at the time of:

- (i) first processing;
- (ii) intervention buying;
- (iii) export in the form of seed.

It will be passed on to the producer.

Implementing rules, notably the rules for exempting imported cereals which are processed or re-exported, will be adopted by the Commission in accordance with the Management Committee procedure.

In the case of small cereals farmers, a system of direct aid will be introduced, the total amount of which may not exceed a sum equal to the co-responsibility levy collected on 25 tonnes of their deliveries.

Member States experiencing particular administrative and technical difficulties in applying the rule for small farmers may be authorized, under conditions to be determined by the Commission in accordance with the Management Committee procedure and for the first marketing year only, to apply the aid in the form of compensation for the levy payable by them.

For the 1986/87 marketing year the total amount of such aid is estimated at 120 million ECU. This amount will be reduced by the effect of the temporary exemption described above.

The Council, acting by a qualified majority on a proposal from the Commission, will adopt general rules for the aid.

On the basis of objective criteria, the Commission will determine the rules for implementing the aid, in particular as regards its allocation, applying the Management Committee procedure.

The arrangements are introduced for a period of five marketing years. After the second year the Commission will report to the Council on the operation of the system.

As regards improvements to the policy on quality, the Commission will fix the maximum moisture content on intervention within the 14-15% bracket. For 1986/87 it will authorize a maximum rate of 15% for a Member State at its request. From 1987/88 it will authorize a 15% maximum rate only on the basis of a Member State's request warranted by unfavourable climatic conditions.

A special 2% premium on the intervention price is introduced for common wheat of breadmaking quality which meets the following additional quality criteria:

- (i) protein content: 14%
- (ii) Zeleny index: 35
- (iii) Hagberg: 240

At the same time, the following technical quality criteria are introduced for breadmaking wheat: machinability test (the dough should not stick during the mechanical kneading process); protein content at least 11.5%; Zeleny index at least 25; Hagberg falling number at least 230. When cereals are taken over for intervention the Commission will set a moisture content within the 14% to 15% bracket, set the maximum percentage of sprouted grains at 6% (instead of 8%) and set the minimum specific weight at 72 kg/hl (instead of 68 kg/hl).

The Commission will apply reductions of 5% of the intervention price if the wheat does not conform to the technical quality criteria; - 1% for each 0.5% of protein content below 11.5%: the maximum reduction of 5% would be reached with a protein content of 9.5% or less. These reductions may not be combined. On the other hand, reductions that result from failure to satisfy the physical quality criteria, in particular as regards the specific weight, will be combined with those applied for failure to conform to the technical criteria (reduction of 0.5% of the intervention price for each kg/hl below 76 kg/hl).

The intervention price for barley is to be reduced to the level of the price for feed wheat (- 5%), with the quality standard of specific weight

remaining at the current level and present penalties for lower specific weight being maintained.

The same intervention price as for barley is to be applied for feed rye and sorghum. The intervention price for rye of breadmaking quality will be equal to the intervention price for common wheat of breadmaking quality.

The Council also decided that intervention would commence throughout the Community (with harmonized periods of payment) on 1 October and end on 30 April. Intervention will be available one month earlier with an extended payment period and two months earlier in Spain, Portugal, Italy and Greece (for cereals produced in those four countries).

However, as a transitional measure for Spain for 1986/87, the previous system of advance intervention will apply for July.

For July, August and September 1986, the threshold price for maize and sorghum will be that for March.

The intervention price for durum wheat is reduced by 4% (instead of 4.44%). The aid for durum wheat is increased to 113.79 ECU/ha in the Ten (instead of 108.04). For Spain the aid is increased to 16.26 ECU/ha (instead of 15.46), and the provinces of Badajoz and Zaragoza will be added to the list of regions in which the aid is payable. The availability of aid in mountain and less-favoured areas is to be discussed in the context of socio-structural proposals, with the aim of avoiding discrimination against Spain and Portugal by comparison with Italy and Greece. The Commission is to undertake an urgent study of quality criteria. In view of the fluidity problems on the durum wheat market, the Commission undertook to study this problem, in particular from the point of view of a financial contribution to transport costs if such a contribution could reduce the amounts sent into intervention.

The minimum price for potatoes intended for starch production remains unchanged for 1986/87.

Milk products

2.1.108. Milk quotas will be reduced by 3% over two years. The guaranteed overall quantities to be cut by 2% from 1 April 1987 and by a further 1% from 1 April 1988.

To facilitate this, a voluntary Community buying-up scheme will be introduced from 1 May 1986. Member States will be authorized to pay compensation, chargeable to the EAGGF, of up to 4 ECU per 100 kg for seven years.

If the reduction in milk quotas can be achieved by buying-up at a level of compensation lower than that described in the previous paragraph, any remaining EAGGF funds available may be used by Member States for restructuring; the same will apply where buying-up with a payment of 4 ECU per 100 kg does not make it possible to achieve the stated objectives.

Member States may add to the level of compensation from national funds in accordance with objective criteria laid down by the Council on a proposal from the Commission, so that the buying-up scheme may be adapted to local conditions. The level of topping-up may be varied from region to region within Member States to take account of different local conditions.

Member States may continue with their national quota purchase systems pending reallocation.

It will be left to Member States to decide whether or not to collect an advance on the levy after the first six months of each twelve-month period. Regional compensation will be extended for the third twelve-month period.

In order to facilitate the disposal of public butter stocks, the Council decided that the value of the stocks will be depreciated by an amount corresponding to the financial effects of the non-reduction in the intervention price for butter.

Oilseeds and protein seeds

2.1.109. The Commission proposal must be changed so as to limit the penalty for production above the level of the maximum guaranteed quantity to 5% of the target price, and so as to correct the penalty in the following year by an adjustment to the maximum guaranteed quantity.

Before the end of the 1986/87 marketing year the Commission will make a report to the Council on the operation and efficiency of the system of maximum guaranteed quantities, incorporating its reflections on the major elements of its future proposals involving the adjustment of the 'acquis communautaire' in the vegetable oils and fats sector, in accordance with the joint declaration annexed to the Act of Accession of Spain and Portugal to the Communities.

In anticipation of the proposals relating to the specific maximum guaranteed quantities for oilseeds produced in Portugal which it will be making for the 1987/88 to 1990/91 marketing years, the Commission will, from the criteria set out in Article 294 of the Act of Accession, adopt the estimates used in fixing the guarantee threshold for 1986/87.

As regards peas and field beans, the Commission reaffirmed its wish to see an improvement in the monthly increases and stated its intention of continuing to study the problem. It will make proposals as soon as circumstances permit.

Wine

2.1.110. The Commission proposals on replanting rights must be decided upon before 31 December 1986 in the light of discussion on the socio-structural proposals.

At the request of some producer Member States, short-term private storage aid for wine and must may be granted and charged to the States concerned.

Fruit and vegetables

2.1.111. The effective reduction in the withdrawal prices will be 7.5% for peaches (instead of 10%), 4% for apricots (instead of 5%) and 7.5% for tomatoes (instead of 5%), with the corresponding brackets adjusted accordingly.

The Commission gave an undertaking that the reduction in the minimum price to be paid by the industry for tomatoes for processing will be less than the reduction in the withdrawal price to apply to fresh consumables.

Beef/veal

2.1.112. The Commission reform proposals are to be examined further by the Council with a view to decisions being taken before 31 December 1986.

In addition, the Council decided on the following measures:

- (i) the slaughter premium for certain bovine animals and the calf premium to remain unchanged;
- (ii) the premium additional to the premium for maintaining suckler herds granted in Ireland and Northern Ireland to remain unchanged;
- (iii) a decision on the future of these premium arrangements to be taken at the same time as the Council takes the decisions on reform.

Sheepmeat

2.1.113. The question of the regrouping of regions will be examined in the context of the Commission's report on the arrangements for 1988 and no changes will be made until then. In the same report the Commission will discuss the des-

irability of adjusting the unit amount of the premium—calculated for region 2 in accordance with Article 5 of the basic Regulation (Regulation (EEC) No 1837/80 of 27 June 1980)¹—on the basis of the marketing period for lambs of eligible ewes, in order to take account of seasonal variations in production costs. In the mean time, a separate calculation will be made for the ewe premium in region 7, but producers in that region will receive a premium of half the difference between the level calculated for region 7 and that paid region 1 under the conditions set out in Article 5(5) of the basic Regulation, when the latter is higher. These amounts will apply to the payment of the premium for the 1987 and 1988 marketing years.

Tobacco

2.1.114. The norm prices for Spanish and Portuguese varieties will be adjusted having regard to the new elements taken into consideration during the discussions within the Working Party of Experts and the Special Committee on Agriculture.

On the basis of the 'flat-rate component' of Article 4 of the basic Regulation governing the raw tobacco sector,² the amount of the premiums initially proposed by the Commission for Spanish and Portuguese varieties will be increased by 5%.

In order to avoid distortions of competition, for the Burley and Virginia varieties this amount will be set at the same level for each of these varieties produced in Spain and Portugal.

With a view to expediting and encouraging the efforts towards variety conversion undertaken in Greece, the norm price and the amount of the premium for the Virginia Gr variety are to be set at the same level as for the Tsebelia variety. This alignment will be carried out subject to a substantial reduction in the areas under Tsebelia over the next three years. The Commission will make an appraisal each year.

The Commission will submit a study as soon as possible with a view to laying down objective criteria for setting prices and premiums for the different varieties of tobacco. Priority will be given to the Burley varieties produced in the Member States.

Agrimonetary measures

2.1.115. The new agrimonetary position is set out in Table 8.

¹ OJ L 183, 16.7.1980.

² OJ L 94, 28.4.1970.

Table 8 — Agrimonetary decisions 1986/87¹
(28 April 1986)

	Products	Former green rate	New green rate	New monetary gap ²		Price index (%)
				Real	Applied	
BLEU	Livestock products	46.4118	47.3310	0.0	0	1.980
	Crop products	46.4118	46.8712	- 0.981	0	0.990
Denmark	Livestock products	8.419499	8.58163	0.0	0	1.980
	Crop products	8.419499	8.54064	- 0.48	0	1.493
Greece	All	102.345	116.673	- 25.682	- 24.2	14.000
Spain	Livestock products	144.382	147.208	- 0.674	0	1.957
	Crop products	144.382	145.796	- 1.654	0	0.979
France	Milk	7.10590	7.31248	- 3.186	- 1.7	2.907
	Pigmeat	7.10590	7.31248	3	3	2.907
	Other livestock products	7.00089	7.20131	- 4.779	- 3.3	2.863
	Wine	7.10590	7.20771	- 4.686	0	1.433
	Other crop products	7.00089	7.09967	- 6.279	- 4.8	1.411
Ireland	Livestock products	0.750110	0.772618	0.0	0	3.001
	Crop products	0.750110	0.761200	- 1.500	0	1.478
Italy	Cereals/oilseeds	1 482.00	1 539.00	- 3.971	- 2.5	3.846
	Other	1 482.00	1 554.00	- 2.967	- 1.5	4.858
Portugal	Livestock products	150.355	153.283	- 1.389	4	1.947
	Crop products	150.355	151.812	- 2.369	-	0.969
United Kingdom	Livestock products	0.618655	0.635626	- 9.99	- 7.7	2.743
	Crop products	0.618655	0.626994	- 10.699	- 9.2	1.348

¹ Applicable from the start of each marketing year; for milk and beef/veal: 12 May 1986.

² The variable MCAs are based on the reference period 16 to 22 April 1986.

³ Basis cereals.

⁴ MCAs not applied.

Results of the green rate devaluations for the various Member States are as follows, expressed as MCA percentage points:

(i) Livestock products: France, United Kingdom and Ireland 3; Italy 5; Greece 17.6; Denmark, Belgium, Luxembourg, Spain and Portugal 1.98;

(ii) Crop products: France, United Kingdom, Ireland and Denmark 1.5; Italy 5 (except cereals and oilseeds 4); Greece 17.6; Belgium, Luxembourg, Spain and Portugal 1.

The new green rates will apply at the beginning of each marketing year in accordance with the schedule of Commission proposals already presented except in the case of sheep, where they will take immediate effect.

As regards pigmeat, eggs and poultry, the Council decided, taking into account the short-term economic conditions resulting from the abovementioned

currency movements and the need to amend the agrimonetary arrangements applicable to cereal-based livestock products, to suspend until 1 June 1986 the application of the negative MCAs introduced following the realignment of currencies on 6 April.

Socio-structural measures

2.1.116. The Council welcomed the Commission's presentation of its proposals concerning socio-structural measures, which are a follow-up to the Green Paper and constitute an indispensable complement to the prices and related measures package (→ point 1.3.1 *et seq.*).

The Council agreed to act on these proposals by 1 August.

Table 9 — *Financial effects of the decisions on agricultural prices for 1986/87*

	<i>(million ECU)</i>		
	1986	1987	Total 1986 and 1987
Commission proposals (including buying-up of milk quotas, beef/veal memorandum and cereals levy)	- 403	- 256	- 659
Effects of Council decisions by comparison with the proposals:			
• deferral of beef/veal memorandum	- 5	- 195	- 200
• deferral of compensation for surrender of vine replanting rights	—	- 73	- 73
• effects of price decisions and market organization measures	+ 7	- 133	- 126
• agrimonetary measures	+ 81	+ 200	+ 281
Total effect of decisions	+ 83	- 201	- 118
Total financial implications of proposals and decisions	- 320	- 457	- 777

Economic aspects of the common agricultural policy

Farms and farm incomes

Farm incomes in 1985

2.1.117. Estimates of changes in incomes of commercial farms in 1985 have been made using a forecasting model which combines the latest price and production information with detailed structural information in the Farm Accountancy Data Network.¹

The figures in Table 11 are calculated in real terms to eliminate the effect of differing inflation rates in Member States. In 1985/86 average income per person fell by 7% (to a level of 3% lower than in 1981/82), compared with a small increase (4%) in the previous year. Only one of the types of farmings showed an increase (Other permanent crops, including mainly fruit, citrus fruit and olives) and there was virtually no change for horticultural holdings. For the other types of farming the largest fall in income was for cereals (24% down) although this followed a 25% increase in 1984/85. Field crops, drystock (livestock other than dairy cattle) and mixed farms

showed decreases slightly worse than average (10% to 12%), while the other types (vineyards, dairying and pigs and poultry) had modest falls in income of 1% to 2%.

The table shows the situation of the different types of farm in relation to the average of all farms in 1981/82, as well as the changes in these indices up to 1985/86. For instance, in 1981/82, cereals farms gave incomes 42% above the all-farms average, while drystock farms gave 10% below average. This is a very large difference between absolute incomes per person according to the type of farming. Nevertheless, the relative positions of the different types have changed little since 1981/82, mainly as a result of geographic location and the economic resources available to farms.²

¹ 1985 Agricultural Incomes in the European Community. Green Europe No 32, May 1986, Commission of the European Communities.

² See the forthcoming 'Farm Accounts Results 1983/84', Commission DG VI Farm Accountancy Data Network (due in September 1986).

Table 10 — Prices for individual agricultural products (revised in accordance with the Act of Accession)

Product and type of price or amount (Period of application)	1985/86		Decision 1986/87		Spain			Portugal		
	Amounts ECU/t	% increase	Amounts ECU/t	% increase	Amounts in ECU/t		% increase	Amounts in ECU/t		% increase
					1985/86	1986/87		1985/86	1986/87	
1	2	3	4	5	6	7	8	9	10	11
Common wheat 1.7.1986-30.6.1987										
• Target price	254.98*	-1.6*	256.16	0.5	—	256.16	—	—	—	—
• Intervention price for breadmaking wheat ¹	179.44*	-1.8*	179.44 ¹	0.0	171.44	172.58 ¹	0.7	—	—	—
• Intervention price for feed wheat	179.44	-1.8	170.47 ²	-5.0	—	163.95 ²	—	—	—	—
Barley 1.7.1986-30.6.1987										
• Target price	232.61*	-1.6*	233.86	0.5	—	233.86	—	—	—	—
• Intervention price	179.44*	-1.8*	170.47	-5.0	162.32	156.53	-3.57	—	—	—
Maize 1.7.1986-30.6.1987										
• Target price	232.61*	-1.6*	233.86	0.5	—	233.86	—	—	—	—
• Intervention price	179.44*	-1.8*	179.44	0.0	171.44	172.58	0.7	—	—	—
Sorghum 1.7.1986-30.6.1987										
• Target price	232.61*	-1.6*	233.86	0.5	—	233.86	—	—	—	—
• Intervention price	179.44*	-1.8*	170.47	-5.0	162.32	156.53	-3.57	—	—	—
Rye 1.7.1986-30.6.1987										
• Target price	234.61*	-1.6*	233.86	-0.3	—	233.86	—	—	—	—
• Intervention price for rye	181.23* ³	-1.8	170.47*	-5.9	167.06	159.05*	0.2	—	—	—
Durum wheat 1.7.1986-30.6.1987										
• Target price	357.70*	0.0*	357.70	0.0	—	357.70	—	—	—	—
• Intervention price	312.08*	0.0*	299.60	-4.0	204.48	211.06	3.2	—	—	—
• Aid ⁵	101.31*	0.0*	113.79	12.3	—	16.26	—	—	—	—
Rice 1.9.1986-31.8.1987										
• Target price — husked rice	548.37	1.6	548.37	0.0	—	548.37	—	—	—	—
• Intervention price — paddy rice	314.19	0.0	314.19	0.0	238.00	248.88	4.6	—	—	—
Sugar 1.7.1986-30.6.1987										
• Basic price for sugarbeet	40.89	0.0	40.89	0.0	47.98	47.98	0.0	43.72	43.72	0.0
• Intervention price for white sugar	541.80	1.3	541.80	0.0	627.80	627.80	0.0	492.40	501.20	1.8

Table 10 (continued)

Product and type of price or amount (Period of application)	1985/86		Decision 1986/87		Spain			Portugal		
	Amounts ECU/t	% increase	Amounts ECU/t	% increase	Amounts in ECU/t		% increase	Amounts in ECU/t		% increase
					1985/86	1986/87		1985/86	1986/87	
1	2	3	4	5	6	7	8	9	10	11
Oliveoil 1.11.1986-31.10.1987										
• Production target price	3 225.6	2.0	3 225.6	0.0	3 225.6	3 225.6	0.0	3 225.6	3 225.6	0.0
• Intervention price	2 276.2	0.0	2 162.4	-5.0	1 297.1	1 346.1	3.8	1 981.8	1 996.5	0.7
• Production aid ⁶	709.5	2.0	709.5	0.0	83.1	145.7	75.3	0.0	71.0	—
Rape seed 1.7.1986-30.6.1987										
• Target price	464.1*	-1.8*	464.1	0.0	402.8	408.9	1.5	464.1	464.1	0.0
• Intervention price	421.5*	-1.8*	421.5	0.0	360.2	366.3	1.7	421.5	421.5	0.0
Sunflower seed 1.8.1986-31.7.1987										
• Target price	573.5	-1.5	583.5	0.0 ^a	401.1	428.3	4.3 ^a	573.5	583.5	0.0 ^a
• Intervention price	524.7	-1.5	534.7	0.0 ^a	352.3	379.5	4.9 ^a	524.7	534.7	0.0 ^a
Soya beans 1.9.1986-31.8.1987										
• Guide price	575.8	1.0	575.8	0.0	406.5	423.4	4.2	575.8	575.8	0.0
• Minimum price	506.7	1.0	506.7	0.0	337.4	354.3	5.0	506.7	506.7	0.0
Dried fodder										
• Fixed-rate aid										
1.4.1986-31.3.1987	8.49	1.0	8.49	0.0	0.0	1.21	—	0.0	1.21	—
• Guide price										
1.4.1986-31.3.1987	178.92	1.0	178.92	0.0	148.0	152.45	3.0	178.92	178.92	0.0
Peas and field beans ⁷ 1.7.1986-30.6.1987										
• Activating price	506.4	-1.2	509.6	0.6	506.4	509.6	0.6	506.4	509.6	0.6
• Guide price	324.8	-1.9	328.0	1.0	324.8	328.0	1.0	324.8	328.0	1.0
• Minimum price										
— peas	283.5	-1.9	286.3	1.0	283.5	286.3	1.0	283.5	286.3	1.0
— field beans	273.5	-5.4	276.2	1.0	273.5	276.2	1.0	273.5	276.2	1.0
Lupins 1.7.1986-30.6.1987										
• Activating price	482.5	0.9	485.0	0.5	441.5	449.6	1.8	482.5	485.0	0.5
• Minimum price	317.9	0.0	321.1	1.0	292.3	299.0	2.3	317.9	321.1	1.0

Flax 1.8.1986-31.7.1987										
• Guide price (seed)	554.1	1.0	554.1	0.0	458.5	468.1	2.1	554.1	554.1	0.0
• Fixed-rate aid (fibre) (per ha) ⁶	355.09	1.0	355.09	0.0	—	50.73	—	—	50.73	—
Hemp 1.8.1986-31.7.1987										
• Fixed-rate aid (per ha) ⁶	322.48	1.0	322.48	0.0	—	46.07	—	—	46.07	—
Silk worms										
1.4.1986-31.3.1987										
• Aid per box of silksseed ⁶	108.67	1.0	108.67	0.0	—	15.52	—	—	15.52	—
Cotton 1.9.1986-31.8.1987										
• Guide price	960.2	2.0	960.2	0.0	960.2	960.2	0.0	960.2	960.2	0.0
• Minimum price	912.3	2.0	912.3	0.0	912.3	912.3	0.0	912.3	912.3	0.0
Milk 12.5.1986-31.3.1987										
• Target price	278.4	1.5	278.4	0.0	—	—	—	—	—	—
Butter ⁹										
• Intervention price	3 132.0	-2.0	3 132.0	0.0	3 525.4	3 480.7	-1.3	—	—	—
Skimmed-milk powder ⁹										
• Intervention price	1 740.4	4.9	1 740.4	0.0	2 438.0	2 378.8	-2.4	—	—	—
Grana padano cheese 30-60 days ⁹										
• Intervention price	3 889.3	1.9	3 889.3	0.0	—	—	—	—	—	—
Grana padano cheese 6 months ⁹										
• Intervention price	4 803.3	1.6	4 803.3	0.0	—	—	—	—	—	—
Parmigiano-Reggiano 6 months ⁹										
• Intervention price	5 291.9	1.5	5 291.9	0.0	—	—	—	—	—	—
Beef/veal 12.5.1986-1.4.1987										
• Guide price for adult bovines	2 050.2	0.0	2 050.2	0.0	1 724.9	1 771.3	2.7	—	—	—
• Intervention price for adult bovines	1 845.2	0.0	1 845.2	0.0	1 552.4	1 594.2	2.7	—	—	—
Sheepmeat ¹⁰ 5.1.1987-3.1.1988										
• Basic price (carcase weight)	4 323.2	1.0	4 323.2	0.0	4 323.2	4 323.2	0.0	4 323.2	4 323.2	0.0
Pigmeat 1.11.1986-31.10.1987										
• Basic price (carcase weight)	2 033.3	0.0	2 033.3	0.0	2 033.3	2 033.3	0.0	—	—	—

Table 10 (continued)

Product and type of price or amount (Period of application)	1985/86		Decision 1986/87		Spain			Portugal		
	Amounts ECU/t	% increase	Amounts ECU/t	% increase	Amounts in ECU/t		% increase	Amounts in ECU/t		% increase
					1985/86	1986/87		1985/86	1986/87	
1	2	3	4	5	6	7	8	9	10	11
Fruit and vegetables - Basic price										
• Cauliflowers										
12.5.1986-30.4.1987		1.0**		1.0	—	—	—	—	—	—
• Tomatoes										
11.6.1986-30.11.1986		-3.0		0.0**	—	—	—	—	—	—
• Peaches ¹²										
1.6.1986-30.9.1986		-1.5		0.0**	—	—	—	—	—	—
• Lemons										
1.6.1986-31.5.1987		-3.0		0.0**	—	—	—	—	—	—
• Pears										
1.7.1986-30.4.1987		0.0		0.0**	—	—	—	—	—	—
• Table grapes										
1.8.1986-31.10.1986		0.0		0.0**	—	—	—	—	—	—
• Apples										
1.8.1986-31.5.1987		0.0		0.0**	—	—	—	—	—	—
• Mandarins ¹³										
16.11.1986-28.2.1987		-3.0		0.0**	—	—	—	—	—	—
• Sweet oranges ¹³										
1.12.1986-31.5.1987		-3.0		0.0**	—	—	—	—	—	—
• Apricots										
1.6.1986-31.7.1986		-1.5		0.0**	—	—	—	—	—	—
• Aubergines										
1.7.1986-31.10.1986		1.0		1.0	—	—	—	—	—	—
Table wine										
1.9.1986-31.8.1987										
• Guide price Type RI	3.42	0.0	3.42	0.0	1.89	2.11	11.6	—	—	—
• Guide price Type RII	3.42	0.0	3.42	0.0	1.89	2.11	11.6	—	—	—
• Guide price Type RIII	53.30	0.0	53.30	0.0	29.48	32.88	11.5	—	—	—
• Guide price Type AI	3.17	0.0	3.17	0.0	1.75	1.95	11.4	—	—	—
• Guide price Type AII	71.02	0.0	71.02	0.0	39.20	43.74	11.6	—	—	—
• Guide price Type AIII	81.11	0.0	81.11	0.0	44.77	49.96	11.6	—	—	—
Raw tobacco ^{14,15} 1986 harvest										
• Forchheimer Havanna, Benaventano, Mavra, Tsebelia	Price	-2.5	Price	-6.0						
• Burley Ferm.	Premium	-4.0	Premium	-6.0						
• Havana Esp.					Price		-6.0	Price		-6.0
					Premium		—	Premium		—

● Badischer Geudertheimer, Paraguay, Nijkerk, Missionero, Round-Tip, Xanti-Yaka, Perustitza, Erzegovina, Kaba Koulak (non classic)	Price -1.0 Premium -1.0	Price -4.0 Premium -4.0		
● Santa Fé			Price -4.0 Premium —	Price -4.0 Premium —
● Round Scafati				
● Badischer Burley, Burley I, Burley GR, Kaba Koulak (classic), Zichnomyrodata, Myrodata Agrinion	Price 0.0 Premium 1.0	Price -2.0 Premium -2.0		
● Burley Esp.			Price -2.0 Premium —	Price -2.0 Premium —
● Burley P.				
● Virgin D. Bright, Virginia GR, ¹⁶ Basmal, Maryland, Katerini, Kentucky	Price 0.0 Premium 1.0	Price 0.0 Premium 0.0		
● Virgin Esp.				
● Virgin P.			Price 0.0 Premium —	Price 0.0 Premium —
Seeds ^{15,17}	0.0			

* Interim Commission decision.

** An alteration of the relationship between the basic price and the buying-in price was decided in the related measures.

¹ For 1986/87 this price is increased by 3.59 ECU/t for a higher quality.

² This price results from the application of a maximum reduction of 5%.

³ The price was increased by a special bonus of 7.44 ECU/t.

⁴ For 1986/87 the price is increased by a special bonus of 8.97 ECU/t for rye of breadmaking quality.

⁵ In the case of Greece, aid for durum wheat was aligned on the Community level for 1985/86 which represented (in ECU) an increase of 13.4% for those regions having received national aid prior to accession and 27.8% for the other regions.

⁶ In the case of Greece 1985/86:

Olive oil	—	production aid was aligned on the Community level (an increase in ECU of 28.9%);
Flax	—	fixed-rate aid was aligned on the Community level (an increase in ECU of 27.8%);
Hemp	—	fixed-rate aid was aligned on the Community level (an increase in ECU of 27.8%);
Silkworms	—	aid was aligned on the Community level (an increase in ECU of 13.4%).

⁷ The reductions at the beginning of 1985/86 were due to the introduction of a system of monthly increases.

⁸ Taking into account the change in the oil content of the standard quality.

⁹ The adjustments for milk products take account of a revaluation of the components of milk (the fat/protein ratio remains 48.22:51.78 for 1986/87).

¹⁰ It was decided that the basic price for the transitional marketing year of 1985/86 should remain unchanged and that the basic price for the '1986' marketing year should be increased by 1% to 4 323.2 ECU/t (carcase weight).

¹¹ As for the Ten, these prices relate to 'live weight'. They correspond to intervention prices for carcase weight (R3) of 2 944.6 ECU/t for 1985/86 and 3 023.9 ECU/t for 1986/87.

¹² In the case of Greece, the differences in ECU for 1985/86 were +3.6% for tomatoes and +4.0% for peaches; for 1986/87 they will be +6.37% for tomatoes and +5.28% for peaches.

¹³ In the case of Greece for 1985/86, the prices were aligned on the Community prices, i.e. an increase of 0.8% for mandarins and 3.7% for sweet oranges.

¹⁴ For 1985/86 the figures for the Greek varieties were increased by incorporating the fourth (and last) 25% of national aid.

¹⁵ For Spanish and Portuguese varieties the price changes in the table are based on the average guaranteed prices in Spain and Portugal for the period 1983-85. Since premiums for Spanish and Portuguese varieties were fixed for the first time in 1986/87, it is not possible to calculate a percentage increase.

¹⁶ With a view to expediting and encouraging the efforts towards variety conversion undertaken in Greece, the norm price and the amount of the premium for the Virginia Gr variety are to be set at the same level as for the Tsebelia variety. This alignment will be carried out subject to a substantial reduction in areas under Tsebelia over the next three years. The Commission will make an appraisal each year.

¹⁷ The Council decided to make no changes to aids for the 1985/86 and 1986/87 marketing years.

Table 11 — *Indices of real income (farm net value added) per person according to type of farming*

Type of farming	% of commercial farms	1981/82 ¹	1984/85	1985/86	Annual change (%)	
					1984/85 relative to 1983/84	1985/86 relative to 1984/85
All	100	100	104	97	4	- 7
Cereals	6	142	173	132	25	- 24
Field crops	25	84	92	82	3	- 12
Horticulture	3	138	158	157	10	0
Vineyards	6	100	93	91	- 11	- 2
Other permanent crops	8	78	70	73	- 11	4
Milk	19	121	120	118	- 2	- 1
Drystock	13	90	87	79	2	- 10
Pigs and poultry	2	239	201	198	36	- 2
Mixed	20	92	98	88	8	- 10

¹ Average for all farming in 1981/82 = 100.

2.1.118. On 18 April Parliament adopted a resolution on the effects of the common agricultural policy on the socio-economic situation of the regions (→ point 2.4.13).¹

Market organizations

Wine

2.1.119. On 16 April the Commission fixed² the percentage of the production of each producer who is required to distil which must be delivered for the compulsory distillation of table wines opened for the 1985/86 marketing year.³ Although graduated, these percentages take account of the situation of each region.

On the same day the Commission had to postpone from 18 to 30 April, as a result of the late publication of these percentages, the final date by which the producer is required to notify the competent authority of the quantity of his production which is to be delivered for compulsory distillation or by which the competent authority has to

notify the producer of this quantity.² For the same reasons, on 18 April the Commission postponed⁴ from 21 April to 10 May the date by which the distillation contracts and declarations in respect of the 'support' distillation operation for table wine opened in March³ for the 1985/86 marketing year have to be submitted for approval to the competent intervention agency. Lastly, on 17 April an error concerning the quantities in respect of which contracts may be concluded was corrected.⁵

2.1.120. On 17 April the Commission decided, in order to ensure that the measures to promote the consumption of grape juice achieve maximum effectiveness, that not only should the final date for submitting programmes of promotional measures be extended until 15 July but that part of the

¹ OJ C 102, 20.5.1986.

² OJ L 101, 17.4.1986.

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

⁴ OJ L 103, 19.4.1986.

⁵ OJ L 102, 18.4.1986.

budget should, subject to certain specific conditions, be earmarked for financing market surveys in connection with these programmes.¹

2.1.121. On 18 April the Commission amended² the list of vine varieties taken into consideration for the granting of the premium for the abandonment of areas under vines introduced by Council Regulation (EEC) No 777/85 of 26 March 1985,³ adding one variety for France (Dabouki) and deleting one variety for Italy (Schiava grossa).

2.1.122. On the same day the Commission drew up the list of proposals for research on new uses for products belonging to the wine sector that will receive Community subsidies during the 1985/86 wine year.

2.1.123. On 2 May the Commission sent the Council a proposal⁴ to bring the definition of 'liqueur wine' originating in non-Community countries⁵ into line with that of Community liqueur wine as amended by the Act of Accession of Spain and Portugal.

*

2.1.124. On 17 April Parliament adopted a resolution on the serious cases of adulterated wines in Italy (→ point 2.4.13).⁶

Sugar

2.1.125. On 22 April the Commission adopted a Regulation fixing temporary buying-in prices for preferential sugar for the 1985/86 delivery period.⁷

The guaranteed prices for preferential white and raw sugar for 1985/86 have still not been set. It therefore seemed necessary to adopt measures that would allow the Community to fulfil its obligations and ensure continuity in the management of the market in the sugar sector in cases where preferential sugar is offered for intervention.

Milk and milk products

2.1.126. As part of the programme for the utilization of co-responsibility levy funds

for the 1986/87 milk year,⁸ the Commission adopted the Regulations on the continued financing of the following measures that have proved an effective means of expanding the markets for Community milk products:⁹

- (i) market research measures inside and outside the Community;
- (ii) promotional and publicity measures;
- (iii) measures to improve the quality of milk in Ireland, Italy and Greece.

2.1.127. The Commission also adopted a Regulation on promotional and publicity measures in respect of concentrated butter for direct consumption,⁹ for which 5 million ECU was earmarked in the above-mentioned programme in January this year.

Imitation milk and milk products

2.1.128. On 18 April the Commission sent the Council a report¹⁰ accompanied by a proposal for a Regulation amending for the second time¹¹ the Regulation of 3 April 1984¹² as regards imitation milk and milk products.

This report gives an overview of the survey conducted by the Commission on the problems posed by the fact that certain milk product substitutes could grow unchecked whereas milk production was subject to quotas. After defining substitute and imitation products, taking into account the work of international organizations such as the FAO, the report sets out the main facts and forecasts which have appeared in the technical press. In addition, it again draws

¹ OJ L 102, 18.4.1986.

² OJ L 103, 19.4.1986.

³ OJ L 88, 28.3.1985; Bull. EC 3-1985, point 2.1.89.

⁴ COM(86) 220.

⁵ OJ L 326, 23.11.1982; Bull. EC 11-1982, point 2.1.93.

⁶ OJ C 102, 20.5.1986.

⁷ OJ L 106, 23.4.1986.

⁸ Bull. EC 1-1986, point 2.1.100.

⁹ OJ L 105, 22.4.1986.

¹⁰ COM(86) 222 final.

¹¹ OJ C 111, 26.4.1984; Bull. EC 4-1984, point 2.1.98;

Bull. EC 3-1985, point 2.1.88.

¹² OJ C 111, 26.4.1984; Bull. EC 4-1984, point 2.1.98.

attention to the misuse of milk's image in the presentation of products which are sold cheaply and which contain at most very small quantities of dairy products. In its conclusions, the Commission voices the opinion that it is essential for fair competition to be established between milk products and imitation milk products.

Cereals

Accession-related measures

2.1.129. In accordance with Article 86 of the Act of Accession of Spain and Portugal, on 21 April the Commission adopted a Regulation laying down detailed rules regarding the stocks of cereals in Spain as at 1 March 1986.¹

This Regulation fixed, after taking into account a normal stock as at 1 March 1986 equivalent to Spanish domestic consumption over a period of five months, a year-end stock for barley and durum wheat corresponding to 1.75 months of consumption and a balance for export to established markets that was determined on the basis of the difference between production and consumption during the 1985/86 marketing year.

It also fixed at 843 000 tonnes of barley and 55 000 tonnes of durum wheat the stocks that were regarded as abnormal and that must be eliminated by and at the expense of Spain. In addition, this Regulation laid down that Spain's public stocks should be regarded as normal and should be considered as intervention stocks provided they meet the quality requirements applicable. Existing public stocks, whether regarded as normal or abnormal, will be resold in accordance with Community arrangements.

Structures

Socio-structural measures

2.1.130. On 22 April the Commission sent the Council a set of proposals for socio-

structural measures (→ point 1.3.1 *et seq.*). These measures supplement the Commission proposals for agricultural prices and related measures.²

Accession-related measures

2.1.131. The Council again³ introduced⁴ a number of adjustments to or derogations from the general rules laid down in Regulation (EEC) No 797/85 on improving the efficiency of agricultural structures.⁵ These measures, the duration of which is limited to three years, are designed to take account of the special situation of Portuguese agriculture and should create appropriate conditions for the effective implementation of the Regulation in Portugal and fulfil the specific needs of Portugal's agriculture.

Legislation

Veterinary and animal husbandry legislation

2.1.132. April was marked by the discovery of two outbreaks of African swine fever in the Netherlands. Following this, on 4 April the Commission decided to restrict trade in live pigs and pigmeat products.⁶ Since the situation developed favourably, the restrictions were lifted in part of the country from 28 April by a second Decision adopted on 24 April.⁷

Favourable developments as regards the outbreak of foot-and-mouth disease in Italy meant that on 11 and 24 April⁸ the restric-

¹ OJ L 105, 22.4.1986.

² OJ C 53, 7.3.1986; OJ C 85, 14.4.1986; Bull. EC 2-1986, point 1.3.1 *et seq.* and point 2.1.107.

³ Bull. EC 1-1986, point 2.1.105.

⁴ OJ L 115, 3.5.1986.

⁵ OJ L 93, 30.3.1985.

⁶ OJ L 108, 25.4.1986; Bull. EC 3-1985, points 2.1.111 and 2.1.112.

⁷ OJ L 112, 29.4.1986.

⁸ OJ L 99, 15.4.1986; OJ L 112, 29.4.1986.

tions¹ in certain parts of the country could be lifted.

2.1.133. On 18 April Parliament issued an opinion² on the proposal for a Directive concerning the examination of animals and fresh meat for the presence of residues.³ It welcomed the proposal, but drew attention to the question of imports of meat from non-Community countries and called for immediate discussions with those concerned. In addition, Parliament considered that special provision must be made to cover carcasses intended for purposes other than human consumption (for example, the manufacture of pet food).

2.1.134. In April the Economic and Social Committee adopted an opinion (→ point 2.4.52) on the proposal for an amendment to Directive 77/99/EEC on health problems affecting intra-Community trade in meat products.⁴

Competition

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

Germany *Baden-Württemberg*

Improvement of the marketing of livestock for slaughter (building of a slaughterhouse at Bretten).

France

Granting of special stockrearing loans (investments and purchase of pure-bred male breeding animals entered in herd books).

2.1.136. The Commission decided to initiate the Article 93(2) procedure in respect of the following measure:

Italy *Trento*

The offending measures are contained in Bill No 101 amending the Provincial Agriculture Act and concern the following:

- (i) aids for the purchase, construction and enlargement of the structures required for the transport and conservation of milk (Section 32);
- (ii) compensation for keeping cattle on alpine pastures (Section 35);
- (iii) subsidized one-year loans for the purchase of fattening cattle (Section 10);
- (iv) subsidies for the transport of milk to dairies (Section 42);
- (v) interest subsidies for the purchase of machinery for the processing and marketing of agricultural products (Section 43).

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

Denmark

Act No 247 of 6 June 1985 adjusting the index-linked credit system in the agricultural sector.⁵ The original farm investment aid scheme has been changed and is now restricted to the first-time purchase of farms, the purchase of land and the replacement of outstanding loans by new index-linked loans for elderly farmers and for other farmers in financial difficulties.

European Agricultural Guidance and Guarantee Fund

Guarantee Section

2.1.138. The Commission has adopted the provisional accounts of EAGGF Guarantee

¹ OJ L 379, 31.12.1985; OJ L 21, 28.1.1986; OJ L 72, 15.3.1986; Bull. EC 2-1986, point 2.1.122.

² OJ C 120, 20.5.1986.

³ OJ C 132, 31.5.1985; Bull. EC 6-1985, point 2.1.127.

⁴ OJ C 349, 31.12.1985; Bull. EC 12-1985, point 2.1.174.

⁵ Bull. EC 9-1985, point 2.1.98.

Fisheries

Section payments for 1985. Payments amounted, fishery sector products included, to 19 744.2 million ECU (total appropri-

ations for financial year: 19 979.1 million ECU), an increase of some 7.6% on 1984 (18 346.4 million ECU).

Expenditure broke down as follows:

	1984		1985	
	million ECU	%	million ECU	%
Cereals and rice	1 697.8	9.3	2 360.3	11.9
Milk products	5 441.7	29.7	5 933.2	30.1
Olive oil and oilseeds	1 752.0	9.5	1 802.9	9.1
Sugar	1 631.5	8.9	1 805.5	9.1
Beef/veal, pigmeat and sheepmeat, eggs and poultry	3 246.0	17.7	3 476.7	17.6
Fruit and vegetables, wine, tobacco	3 453.6	18.8	3 014.9	15.3
Other products	773.1	4.2	1 124.7	5.7
Total agricultural products	17 995.7	98.1	19 517.2	98.8
'Accession' compensatory amounts	0.3	0.0	0.2	0.0
Monetary compensatory amounts	375.9	2.0	189.6	1.0
Clearance of previous years' accounts	-25.5	-0.1	-99.2	-0.5
Community compensation measures	—	—	136.4	0.7
Grand total	18 346.4	100.0	19 744.2	100.0

Guidance Section

2.1.139. The Commission decided to grant EAGGF Guidance Section aid for projects relating to a common measure to improve the infrastructure in certain less-favoured agricultural areas of the Federal Republic of Germany under Council Regulation (EEC) No 1938/81 of 30 June 1981.¹

Twenty-five specific programmes benefited from this financing, which amounted to DM 12.185 million, broken down by *Land* as follows:

	Number of projects	Aid (DM)
Bavaria	10	6 012 000
Schleswig-Holstein	2	1 109 265
Rhineland-Palatinate	1	1 250 000
Baden-Württemberg	2	1 982 550
North Rhine-Westphalia	1	598 277
Hesse	6	1 015 885
Saarland	3	217 065
	25	12 185 042

Fisheries

Resources

Internal aspects

Community measures

Prohibition measures

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

(i) Dutch vessels from fishing for plaice and sole in ICES divisions VIIh, j and k, for plaice, sole, cod and whiting in ICES division VIIa and for hake in ICES division

¹ OJ L 197, 20.7.1981.

Vb (EC zone) and subareas VI, VII, XII and XIV on 11 April;¹

(ii) German vessels from fishing for saithe in ICES division Vb (EC zone) and subareas, VI, XII and XIV on 5 April;²

(iii) Danish vessels from fishing for salmon in ICES division IIIId (Swedish waters) on 26 April.³

National measures

Protection of local stocks

2.1.141. The Commission, acting under Article 19 of Regulation (EEC) No 171/83,⁴ approved the following national measures:

on 8 April, a draft United Kingdom by-law amending a by-law of 23 February 1983, approved by a Commission Decision of 30 July 1984⁵ and covering the estuary of the River Wyre in north-west England;

on 8 April, a draft United Kingdom Order covering part of the estuary of the River Severn in south-west England.

Implementation of Community rules

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

on 23 April, three Dutch measures, namely a Regulation of November 1984 and two amendments laying down administrative rules for the recording of landings and sales by auction of species subject to quotas; these rules implement the provisions of Article 14(1) of Regulation (EEC) No 2057/82 of 29 June 1982 establishing certain control measures for fishing activities by vessels of the Member States;⁶

on 28 April, a United Kingdom measure, the Fishing Boats (EEC) Designation (Variation) Order 1986, implementing certain provisions of Regulation (EEC) No 170/83;⁴ this Order, which follows on the accession of Spain and Portugal to the Community, amends an earlier Order of 1983 by

including the two new Member States in the list of countries authorized to fish for any species in British waters within 12 nautical miles of the baselines, subject to the conditions laid down by Community rules.

External aspects

Bilateral relations

Guinea-Bissau

2.1.143. On 18 April the Commission transmitted to the Council a proposal⁷ for a Decision on the conclusion of an Agreement in the form of an exchange of letters concerning an interim extension of the Protocol to the Agreement between the Government of the Republic of Guinea-Bissau and the Community on fishing off the coast of Guinea-Bissau for a period of three months from 15 March 1986,⁸ on which date the Protocol was due to expire. The purpose of this proposal is to prevent any interruption of fishing activities by Community vessels after 16 March, pending the outcome of negotiations to determine what arrangements should apply thereafter to vessels flying the flag of a Member State of the enlarged Community.

Senegal

2.1.144. Delegations from the Community and the Government of Senegal, meeting in Dakar from 14 to 16 April, continued⁹ their negotiations with a view to the renewal of the Protocol¹⁰ to the Fisheries

¹ OJ L 96, 11.4.1986.

² OJ L 90, 5.4.1986.

³ OJ L 109, 26.4.1986.

⁴ OJ L 24, 27.1.1983.

⁵ Bull. EC 7/8-1984, point 2.1.151.

⁶ OJ L 220, 29.7.1982.

⁷ COM(86) 207 final.

⁸ OJ L 84, 30.3.1983; Bull. EC 3-1983, point 2.1.132.

⁹ Bull. EC 3-1986, point 2.1.145.

¹⁰ OJ L 75, 20.3.1986; Bull. EC 2-1986, point 2.1.138.

Agreement¹ for the period from 30 April 1986.

2.1.145. The Commission and a Gambian delegation, meeting in Banjul from 17 to 19 April, continued the negotiations which they had begun in October 1985² with a view to concluding a Fisheries Agreement between the Community and the Republic of The Gambia.

Markets and structures

Market organization

2.1.146. On 10 April the Commission adopted a Regulation defining the coastal areas of the United Kingdom to which a minimum marketing size for crab should apply.³

2.1.147. On 21 April, given the continuing threat of disturbance on the French market for yellowfin tuna for industrial processing, the Commission adopted a Regulation⁴ extending for the second time,⁵ until 30 September 1986, the system of surveillance applicable to imports of this product into France.⁶

Accession-related measures

2.1.148. On 10 April the Commission, acting under the Regulation of 6 December 1985 laying down detailed rules for the granting of a compensatory allowance for Mediterranean sardines,⁷ adopted a Decision determining the quantities eligible for this allowance.

Structures

2.1.149. Pursuant to Council Regulation (EEC) No 2908/83 of 4 October 1983 on a common measure for restructuring, moder-

nizing and developing the fishing industry and for developing aquaculture,⁸ as last amended by the Regulation of 20 December 1985,⁹ the Commission decided to grant, as the second instalment for 1985,¹⁰ aid totalling 41.35 million ECU towards 185 projects for the construction of vessels, 397 projects for the modernization of vessels, 64 aquaculture projects and 1 artificial-reef project.

Transport

Inland transport

2.1.150. Having been consulted under the Council Decision of 21 March 1962 instituting a procedure for prior examination and consultation in respect of certain laws, regulations and administrative provisions concerning transport proposed in Member States,¹¹ the Commission decided on 25 April to send a recommendation to the Luxembourg Government on a bill concerning the allocation of goods transport between rail and road. In the recommendation the Commission calls upon the Luxembourg Government to refrain from taking the measures proposed on the bill since they are incompatible with the principles and guidelines of the common transport policy.

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

² Bull. EC 10-1985, point 2.1.120.

³ OJ L 96, 11.4.1986.

⁴ OJ L 105, 22.4.1986.

⁵ OJ L 35, 11.2.1986; Bull. EC 2-1986, point 2.1.144.

⁶ OJ L 299, 13.11.1985; Bull. EC 11-1985, point 2.1.157.

⁷ OJ L 332, 10.12.1985; Bull. EC 12-1985, point 2.1.202.

⁸ OJ L 290, 22.10.1983; Bull. EC 10-1983, point 2.1.162.

⁹ OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.204.

¹⁰ For the first instalment for 1985, see Bull. EC 10-1985, point 2.1.124, (Table 4).

¹¹ OJ 23, 3.4.1962.

Table 12 — *Aids granted under the common measure for restructuring, modernizing and developing the fishing industry and for developing aquaculture (Regulation (EEC) No 2908/83)*

	Projects submitted		Projects approved		
	Number	Aid requested (million ECU)	Number	Aid granted	
				National currency	million ECU
Belgium	10	1.96	5	22 885 837	0.52
Denmark	241	14.95	135	31 383 025	3.95
Germany (FR)	47	3.27	46	6 748 742	3.14
Greece	91	11.54	72	620 540 864	4.64
France	116	14.80	60	47 966 728	7.25
Ireland	31	5.80	27	2 005 507	2.82
Italy	415	67.14	165	16 061 999 668	10.98
Netherlands	28	2.09	26	4 404 983	1.81
United Kingdom	185	16.39	111	4 195 851	6.24
Total	1 164	137.93	647	—	41.35

Road transport

Technical aspects

2.1.151. On 17 April the Commission adopted, for transmission to the Council, a proposal for a Directive¹ amending the Directive of 29 December 1976 on the approximation of the laws of the Member States relating to roadworthiness tests for motor vehicles and their trailers.² The purpose of the proposal, coming as it does in European Road Safety Year, is to extend the roadworthiness tests which already apply to commercial vehicles, taxis and coaches to private cars and light commercial vehicles (with a maximum weight below 3.5 tonnes).

Sea transport

2.1.152. In a communication sent to the Council on 22 April³ the Commission stated that it would be represented at the Ministerial Conference on Safe Ships on Clean Seas to be held in The Hague on 23 April and that its representative would sign

the Final Declaration on behalf of the Community.

This conference, which was chaired by the Dutch Minister of Transport, is a follow-up to the conference held in Paris on 26 January 1982⁴ at which the Memorandum of Understanding on Port State Control was signed.

In their Declaration the Ministers expressed their satisfaction at progress with port State control of ships, the ratification of IMO and ILO conventions and the development of a computerized information system and stressed their determination to continue and, where necessary, redouble their efforts to provide the machinery for port State control so that the total number of inspections can be increased.

¹ COM(86) 214 final.

² OJ L 47, 18.2.1977.

³ COM(86) 240 final.

⁴ Bull. EC 1-1982, point 2.1.74

Air transport

2.1.153. On 30 April the Court of Justice delivered its judgment in the *Nouvelles Frontières* case, which confirms that the general rules of the EEC Treaty, including the competition rules (Articles 85 and 86), apply to air transport.¹

*

2.1.154. On 18 April Parliament adopted a resolution on the building of integrated transport centres (→ point 2.4.13).²

Energy

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

International Energy Agency

Governing Board

2.1.155. The Governing Board of the International Energy Agency met in Paris on 10 April and reviewed the current world oil market situation in the light of the satisfactory progress obtained over the past decade in moving towards a better balance of supply and demand through market forces and sound energy policies.

The Board noted that current economic analysis showed that lower oil prices than in recent years would, on balance, produce significant macroeconomic benefits in some IEA member countries and for the world economy. However, there would be a negative impact on certain IEA countries in that debt and other economic problems would be aggravated.

In the long term neither concerns about energy supply security nor the need for continuity in energy policy objectives would be removed by lower oil prices. On the contrary, a prolonged period of relatively low oil prices might intensify those concerns

and bring forward the period when tighter energy markets could be expected. The energy policy objectives which had been agreed upon by all IEA countries to meet those long-term concerns therefore remained valid under today's circumstances.

The Governing Board accordingly decided that energy policy objectives could best be achieved through flexible, open markets, supplemented by government policies consistent with the national circumstances of each country and based on the long-term outlook and not on short-term developments alone. No new IEA action in the area of energy policy was currently required. The IEA would exercise continued vigilance as the situation developed.

Organization for Economic Cooperation and Development

2.1.156. Medium- and long-term energy objectives were among the topics discussed at the annual meeting of OECD Ministers in Paris on 17 and 18 April (→ point 2.2.60).

Ministers decided that, although a prolonged period of relatively low oil prices might intensify long-standing concerns about long-term energy supply security and the possibility of tighter energy markets in the future, there was no need at present for new international action by member countries in the area of energy. The energy policy objectives adopted by OECD Ministers at their meeting on 9 and 10 May 1983, and recently endorsed by the Governing Board of the International Energy Agency (→ point 2.1.155) were therefore reconfirmed, and their implementation would continue with whatever adjustments might later be considered necessary. For this purpose, an updated assessment of the medium- and long-term energy outlook would be developed to serve as a basis for seeing

¹ The judgment will be analysed in detail in the quarterly review of cases in the 'Court of Justice' section of Bulletin 7/8-1986.

² OJ C 120, 20.5.1986.

whether energy policy objectives were likely to be achieved under current and future market conditions.

Norway

2.1.157. On 22 April, as part of the annual consultations¹ between the Commission and Norway on energy matters, Mr Nicolas Mosar, Member of the Commission with

special responsibility for energy, received a Norwegian delegation led by Mr Kåre Kristiansen, the Oil and Energy Minister.

Discussion focused on the following three topics: the present situation and prospects on the oil market, taking into account the fall in prices; the present situation and prospects on the gas market; and recent energy policy developments in the Community and in Norway.

¹ Bull. EC 4-1985, point 2.2.15.

2. External relations

New multilateral trade negotiations

2.2.1. At the 41st session of the GATT Contracting Parties, held in November 1985,² it was decided to hold a ministerial meeting in September 1986 to decide upon the launching of a new GATT round of trade negotiations.

The Preparatory Committee for the trade negotiations, meeting in Geneva at the end of April, agreed that the ministerial meeting should be held in Punte del Este, Uruguay. It had earlier been decided that the meeting should take place during the week beginning 15 September.

Brussels and Montreal had also offered to host the ministerial meeting. Both the Community and the Canadian delegation maintained their offer to hold ministerial meetings, if necessary, after the launch of the negotiations.

Commercial policy

Implementing the common commercial policy

Commercial policy instruments

Easing of restrictive measures³

2.2.2. Under the Council Regulation of 14 November 1983,⁴ the Commission took the following measures with regard to State-trading countries:

(i) Opening of quotas:

Federal Republic of Germany — Romania: textile products imported under outward processing arrangements;⁵

Italy — Hungary: TNT;⁶

Italy — German Democratic Republic: synthetic organic dyestuffs;⁶

² Bull. EC 11-1985, point 2.3.52.

³ For steel products, see point 2.1.23.

⁴ OJ L 346, 8.12.1983.

⁵ OJ C 83, 11.4.1986.

⁶ OJ C 79, 8.4.1986.

*Italy — Romania: transmissions for tractors of 50 HP;*¹

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

*Italy — Soviet Union: textile products;*²

*Spain — State-trading countries: industrial products;*³

*Italy — Hungary: aluminous cement;*⁴

*Italy — Romania: regenerated textile fibres of viscose (discontinuous), not carded, combed or otherwise prepared for spinning;*⁴

(ii) Changes in quotas:

*Italy — German Democratic Republic: textile products;*⁵

(iii) Changes in import arrangements:

*Benelux/France/Italy — People's Republic of China: removal of quantitative restrictions on the release for free circulation of various industrial products;*⁶

*Ireland — Romania: removal of quantitative restrictions on the release for free circulation of sacks and bags, of a kind used for the packing of goods, of jute or of other textile bast fibres (heading No 57.03), other than used;*⁷

Trade protection

2.2.3. The trade protection measures taken in April are shown in Table 13.

¹ OJ C 91, 17.4.1986.

² OJ C 94, 22.4.1986.

³ OJ C 102, 29.4.1986.

⁴ OJ C 105, 3.5.1986.

⁵ OJ C 79, 8.4.1986.

⁶ OJ L 125, 13.5.1986.

⁷ OJ C 77, 5.4.1986.

Table 13 — Trade protection measures

Council ¹	Commission
<i>Anti-dumping measures</i>	<i>Anti-dumping measures</i>
<i>Definitive anti-dumping duty on imports of:</i>	<i>Initiation of anti-dumping proceeding concerning imports of:</i>
Certain electronic scales originating in Japan	Paint, distemper, varnish and similar brushes originating in the People's Republic of China
OJ L 97, 12.4.1986	OJ C 103, 30.4.1986
(provisional duty: OJ L 275, 16.10.1985, extended by OJ L 32, 7.2.1986)	<i>Termination of anti-dumping proceeding concerning imports of:</i>
Copper sulphate originating in Yugoslavia	Ball bearings and tapered roller bearings originating in Poland, Romania or the Soviet Union
OJ L 113, 30.4.1986	OJ L 102, 18.4.1986
(provisional duty: OJ L 296, 8.11.1985, extended by OJ L 62, 5.3.1986)	(notice of review: OJ C 77, 23.3.1985; OJ C 183, 23.7.1985; OJ C 238, 19.9.1985)
	Ball bearings originating in Thailand
	OJ L 113, 30.4.1986
	(initiation of proceeding: OJ C 95, 16.4.1985)

¹ For steel products, see point 2.1.22.

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

2.2.4. On 8 April the Council authorized the extension or automatic renewal of certain trade agreements between Member States and other countries for which the date for giving notice of termination falls between 1 February and 30 April (first batch for 1986).¹

Export credits

2.2.5. On 8 April the Council decided to extend until 15 October the application in the Community of certain guidelines in the field of officially supported export credits (the 'Consensus').

**Sectoral commercial
policy measures²*****Textiles*****Agreements and arrangements
with non-member countries*****Mediterranean preferential countries***

2.2.6. Consultations were held at the beginning of April between the Commission and a delegation of representatives of Turkish associations of clothing exporters. Substantial progress was made towards instituting administrative cooperation between Turkey and the Community aimed at resolving the problems posed hitherto by imports into the Community of certain clothing products originating in Turkey.

**Relations with industrialized
countries****Western Economic Summit in Toyko**

2.2.7. At the Council meeting on 21 and 22 April the Foreign Ministers had an exchange of views on preparations for the forthcoming Western Economic Summit in

Toyko (4 to 6 May). Mr Delors gave a detailed account of the various topics likely to be discussed at the summit, which he summarized under the following four headings:

- (i) further measures to tackle internal economic imbalances and encourage strong and lasting growth;
- (ii) improvement of the international monetary system;
- (iii) situation in developing countries, in particular the Baker plan³ and the problems of sub-Saharan Africa;
- (iv) the new round of multilateral trade negotiations in GATT.

2.2.8. On 18 April Parliament adopted four resolutions on the Tokyo summit and on the GATT negotiations (→ point 2.4.13).⁴

United States***Negotiations on the consequences
of enlargement***

2.2.9. On 21 April the Council adopted negotiating directives enabling the Commission to enter into negotiations forthwith, under Article XXIV(6) of the General Agreement, with GATT Contracting Parties which wish to carry out a joint review of the overall balance of their duties *vis-à-vis* the former Spanish and Portuguese customs tariffs, within the context of establishing a new customs tariff for the Twelve.⁵

The Council accompanied these directives by a statement deploring the United States Government's intention to resort to unilateral measures and refuting its analysis of the situation, given the real benefits for the United States deriving from enlargement.

The text of the statement is as follows:

¹ OJ L 100, 16.4.1986.

² For steel products, see point 2.1.24.

³ Bull. EC 12-1985, point 2.3.35 (footnote 2).

⁴ OJ C 120, 20.5.1986.

⁵ Bull. EC 3-1986, point 2.2.7.

'The Council heard a report from the Commission on the latest discussions with the Americans relating to United States concerns on Community enlargement. The Council reaffirmed the Community's willingness to resolve this dispute without confrontation and in accordance with the GATT rules. For its part the Community today approved the negotiating directives for the Commission in the context of Article XXIV(6). The Council urges the United States to enter into these negotiations as soon as possible.

The Council noted with regret that the United States authorities plan to introduce unilateral measures against trade with the Communities in response to certain provisions of the Treaty of Accession concluded with Spain and Portugal. It would point out that the United States will derive major benefits from this enlargement.

The Council considers that any such measures by the United States would be economically unjustified. Moreover, in taking such action, the United States would be proceeding illegally, on a unilateral basis outside GATT rules, and would oblige the Community to take equivalent action to defend its interests. To this effect, preparatory work should be actively pursued.'

2.2.10. On 21 April the Commission sent to the Council an indicative list of American agricultural products which could be the subject of retaliatory measures on importation into the Community.

2.2.11. On 17 April Parliament adopted a resolution on the United States threat to impose trade restrictions on Community agricultural products (→ point 2.4.13).¹

Canada

2.2.12. On 10 April the Community and Canada exchanged letters on the compensation which Canada will offer the Community under Article XIX of the General Agreement for the trade loss which Community exports of women's and girls' leather footwear to Canada will suffer over the next three years owing to Canada's continued import restrictions since 1 December 1985.² The exchange of letters was subsequently approved by the Council.³

From 1 April Canada considerably reduced the price above which footwear is exempted from the existing import restrictions. This

measure will be of considerable benefit to European exports of women's and girls' leather footwear. Canada is also to reduce its tariff on eight other items of interest to Community exporters.

Japan

Monetary and financial relations

2.2.13. On 3 April the Commission sent to the Council a communication on monetary and financial relations with Japan.⁴ Following on from its greatly enhanced importance in the world trading system, Japan is now taking a more decisive role in the monetary and financial fields, but the Community has not adequately developed its relations with Japan in these two areas so far. European banks have not yet developed satisfactorily their capacity to provide financial services to Japan, mainly because access to domestic and international yen markets remains limited.

The Commission stresses the need for close relations with Japan as regards exchange rates, banking and capital—not only to protect the interests of the Community but also to promote consultation and cooperation on the problems facing both Japan and the Community in the context of the international monetary and financial system.

Consultations on Community exports of wine and spirits

2.2.14. Consultations between Commission officials and Japanese government departments, particularly the Ministry of Finance, took place in Tokyo from 7 to 11 April on the basis of a memorandum concerning Community exports of wine and spirits to the Japanese market. The Community's objective is to persuade the Japanese authorities to change their system of fiscal charges and customs duties and

¹ OJ C 120, 20.5.1986.

² Bull. EC 11-1985, point 2.3.12.

³ OJ L 100, 16.4.1986.

⁴ COM(86) 171 final.

amend the rules and practices with regard to labelling and distribution, so as to ensure that imports of wines and spirits receive treatment like that accorded to domestic products. Discussions will continue during the coming months.

The Commission officials and their Japanese counterparts also reviewed progress in the implementation of the Japanese action programme on market access.¹

Electronic products

2.2.15. On 15 April the Council adopted,² on a proposal from the Commission,³ a Regulation introducing from that date the Common Customs Tariff amendments agreed in January between the Community and Japan by way of 'compensation' for the increased customs duty on video recorders.⁴

Australia

2.2.16. Mr Bob Hawke, the Prime Minister of Australia, visited the Commission on 22 April and had a working meeting with Mr Jacques Delors, the President of the Commission, and Mr Willy De Clercq, the Member of the Commission with special responsibility for external relations and trade policy.

The two sides reviewed the main aspects of relations between the Community and Australia and agreed to extend cooperation to research and development and hold high-level consultations before the end of the year. There was also a convergence of views with regard to the place of agriculture in the forthcoming round of multilateral trade negotiations and on the need for an export policy which, while allowing for competition, does not disrupt the world market.

New Zealand

2.2.17. Ministerial-level consultations between New Zealand and the Community were held in Wellington on 4 April. The Commission delegation was led by Mr De Clercq. The last visit to New Zealand by

the Member of the Commission with special responsibility for external relations had been Mr Haferkamp's in April 1980.⁵

Mr De Clercq met Mr Lange, the Prime Minister and Minister for Foreign Affairs, together with Mr Douglas, the Minister for Finance, Mr Moore, the Minister for Overseas Trade, Mr Moyle, the Minister for Agriculture, and Mr Caygill, the Minister for Trade and Industry.

The New Zealand authorities stressed their desire to maintain close links with Europe and North America and expressed their wish to extend and diversify relations with the Community.

Specific points covered included the continuation of existing cooperation in the milk and meat sectors and the question of access to the Community market for New Zealand butter.

Finland

2.2.18. Mr Willy De Clercq paid his first official visit to Finland from 26 to 29 April. He held talks with President Koivisto, Mr Sorsa, the Prime Minister, Mr Väyrynen, the Foreign Minister, Mr Laine, the Minister for Foreign Trade, and representatives of Finnish industry. He also took part in a joint meeting of Community and EFTA parliamentarians.

The discussions with the Finnish authorities confirmed once again the excellence of the Community's relations with Finland. Trade had progressed impressively and prospects were good.

At the signing, on 29 April, of a framework agreement for scientific and technical cooperation between the Community and Finland, the Finns reiterated their interest in

¹ Bull. EC 7/8-1985, point 2.3.18.

² OJ L 99, 15.4.1986.

³ Bull. EC 3-1986, point 2.2.12.

⁴ Bull. EC 1-1986, point 2.2.13.

⁵ Bull. EC 4-1980, point 2.2.43.

participating in Community research programmes such as Esprit, RACE and Brite.¹

Both sides expressed the hope that agreement on the introduction of the 'single administrative document' could be reached in June at the meeting in Reykjavik between EFTA Ministers and the Commission.²

It would enter into force on 1 January 1988 and cover the area encompassing all the Community and EFTA countries.

They also expressed the hope that the Reykjavik meeting would give further impetus to work on other trade facilitation measures such as border checks and formalities, standardization and rules of origin.

Mr De Clercq and Mr Laine exchanged views on the economic situation and the consequences for their economies of the trend of oil prices. Mr Laine stressed that exports to the USSR were linked to the level of imports from that country and that oil was an important component of those imports. Relations with the United States and Japan were also discussed, and it was agreed that the new round of multilateral trade negotiations in GATT would be of great importance for the maintenance and strengthening of the free world trading system and should be launched in September at the ministerial meeting in Punta del Este, Uruguay.

Norway

2.2.19. As part of the annual consultations on energy matters between the Commission and Norway, on 22 April, Mr Nicolas Mosar, the Member of the Commission with special responsibility for energy, received a Norwegian delegation led by Mr Kåre Kristiansen, the Minister for Oil and Energy (→ point 2.1.157).

Relations with other countries and regions

Mediterranean countries³

2.2.20. On 24 April Mr Cheysson, Member of the Commission with special

responsibility for Mediterranean policy, received the Chairman and Vice-Chairmen of ASCAME (Association of Mediterranean Chambers of Commerce and Industry), a body comprising more than 76 chambers of commerce from the northern and southern Mediterranean countries.

The purpose of the meeting was to set in motion long-term cooperation with ASCAME and among chambers of commerce in the Mediterranean region. This will enable the Commission to implement the Community's Mediterranean policy, particularly in the sphere of industrial and technical cooperation. It was decided to initiate a preliminary training programme for young executives from Yugoslav, Tunisian, Turkish, Algerian, Moroccan and Egyptian chambers of commerce, to be carried out by the chambers of commerce in Marseilles, Genoa, Barcelona and Athens. Other trade, industrial and tourism programmes may be considered for the near future.

2.2.21. On 18 April Parliament delivered an opinion⁴ on the communication transmitted by the Commission to the Council in September 1985 on guidelines for future economic cooperation between the Community and the countries of the southern and eastern Mediterranean.⁵ It welcomed the fact that the Council had recognized the need for a reassessment of the Community's policies towards Mediterranean developing countries, and endorsed all efforts to promote broader regional, economic and cultural cooperation between the Mediterranean region and the countries signatory to the Lomé Convention. Parliament considered that harmonious political and trade relations between the Member States of the Community and the Mediterranean countries must be maintained and

¹ OJ L 78, 24.3.1986; Bull. EC 3-1986, point 2.1.39.

² Bull. EC 3-1986, point 2.1.53.

³ For financial and technical cooperation with the Mediterranean countries, see point 2.2.53.

⁴ OJ C 120, 20.5.1986.

⁵ Bull. EC 9-1985, points 1.3.1 to 1.3.3.

developed in the interests of the political stability of the area.

Turkey

2.2.22. Talks took place at the beginning of April between the Commission and a delegation representing Turkish associations of clothing exporters (→ point 2.2.6).

Yugoslavia

2.2.23. As a follow-up to Decision 1/85 of the EEC-Yugoslavia Cooperation Council, which met on 18 June 1985,¹ a seminar on pigmeat in the southern European countries was held in Belgrade from 21 to 23 April. This was the outcome of one part of the agronomy research cooperation programme developed between the Commission and Yugoslavia with the help of the International Centre for Advanced Mediterranean Agronomic Studies.

Countries of the Gulf and the Arabian Peninsula

Gulf Cooperation Council

2.2.24. A Commission delegation had lengthy discussions in Riyadh on 26 and 27 April with representatives of the Gulf Cooperation Council (GCC) as part of a second round² of high-level exploratory talks agreed at the ministerial meeting in October 1985 between the Community and the GCC.³ The talks covered all aspects of a possible agreement, including trade, energy, industrial cooperation, investment, transfer of technology and training.

It was agreed that the phase of exploratory talks had now finished and that both sides would be making recommendations to their respective authorities with the intention of opening formal negotiations at an early date.

Asia

Korea

2.2.25. The President of the Republic of Korea, Mr Chun Doo-Hwan, met Mr Delors, President of the Commission, in Paris on 14 April.

Mr Chun indicated that the main purpose of his first visit to Europe was to persuade Europe to expand its trade with his country.

He was also anxious to remind Europeans that Korea, despite its achievements, was still a developing country. Mr Delors agreed that trade relations should be improved and suggested that there were a number of possible fields for cooperation, including technology.

He accepted President Chun's invitation to pay an official visit to Korea.

2.2.26. President Chun was also received in Brussels on 17 April by Lord Cockfield, acting Commission President, and by Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy. The Korean President reiterated his country's wish to diversify its economic and trade relations and see Europe increase its trade presence in Korea. He also expressed support for economic and political integration efforts in Europe.

Lord Cockfield and Mr De Clercq welcomed this, but at the same time stressed the need for full access to the Korean market and asked for Korea's active cooperation in efforts to liberalize world trade.

2.2.27. The Korean ministers accompanying the President held talks on the same day with other members of the Commission: Mr Lee Wong-Kyung, Foreign Minister, and Mr Kun Jin-Ho, Minister for Trade and Industry, had meetings with Mr De Clercq, who returned to the theme of the import-

¹ Bull. EC 6-1985, point 2.3.25.

² Bull. EC 12-1985, point 2.3.31.

³ Bull. EC 10-1985, point 2.3.21.

ance of rapid liberalization of the Korean market.

Mr Kim Mahn-Je, Deputy Prime Minister and Minister for Economic Planning, and Mr Chon Hak-Ze, Minister for Science and Technology, met Mr Narjes, Vice-President of the Commission with special responsibility for industrial affairs, who raised a number of topics, including developments in telecommunications and the situation in the shipbuilding and motor industries.

Pakistan

2.2.28. On 22 April the Council adopted¹ a Regulation on the conclusion of the Agreement for commercial, economic and development cooperation between the Community and the Islamic Republic of Pakistan.²

Development

Council

2.2.29. At the Council meeting in Luxembourg on 17 April the discussions centred on two main issues:

(i) *The developing countries' quest for food security*

Detailed discussions were devoted to food aid policy in general and its implementation. The Commission's proposal to amend the framework Regulation on food aid, and thereby make it a more effective development aid instrument, was welcomed.³ The Council instructed the Permanent Representatives Committee to examine the proposal as soon as it was put forward.

Following a general discussion, based on a Commission communication concerning implementation of the food strategies and outlining prospects for the future (→ point 2.2.35), the Council adopted conclusions which will serve as guidelines for further Community action both under the Lomé Convention and *vis-à-vis* other developing

countries. The question of the possible establishment of a permanent mechanism for emergency food aid was deferred until the Council's next meeting on development issues.

(ii) *Structural aspects of development in Africa*

The Council welcomed the report presented by Mr Natali, Vice-President of the Commission with special responsibility for development, on the implementation of the rehabilitation and revival plan for the African countries most affected by the drought.⁴

It also expressed its appreciation of the Commission communication on the conservation of natural resources and measures to counter desertification in Africa,⁵ approving its analysis and general approach. It decided to implement a long-term European action plan which would unite the resources of the Community and the Member States to counter desertification and adopted a resolution defining the broad lines to be followed in implementing the plan.

On the basis of the Commission communication on Africa's development problems (medium- and long-term view) (→ point 1.5.1 *et seq.*), the Council also adopted the outline of a common position to guide the Community and the Member States in preparation for the special session of the United Nations General Assembly on the critical economic situation in Africa.

Other conclusions were adopted by the Council concerning the role of women in development, the promotion of trade and services in the developing countries, and the programming of Community aid in the ACP States.⁶

¹ OJ L 108, 25.4.1986.

² OJ C 81, 29.3.1985; Bull. EC 3-1985, point 2.2.27.

³ OJ L 352, 14.12.1982.

⁴ Bull. EC 10-1985, point 1.4.1 *et seq.*

⁵ Bull. EC 1-1986, point 1.3.1 *et seq.*

⁶ On the basis of a Commission communication entitled 'Interim review of the programming of Community aid in the ACP States: the new approach under Lomé III'.

Lastly, the Council heard a statement by the Spanish delegation concerning the need for a substantial improvement in relations with the Latin American countries.

North-South relations

Cooperation in international bodies

Organization for Economic Cooperation and Development

2.2.30. At its ministerial-level meeting on 17 and 18 April the OECD Council examined the world economic situation and outlook (→ point 2.2.60). With regard to relations with developing countries, a consensus emerged concerning the debt question: OECD countries urged the continuation of cooperative efforts by debtor countries, commercial banks and international financial institutions to achieve the objectives of a growth-oriented strategy. The Community welcomed the United States initiative (the Baker plan)¹ as an important step towards enabling developing countries to implement adjustment policies. It pointed out, however, that this would not eliminate the financial problem, which could not be fully resolved by the banks. It was recognized that OECD countries needed to promote an international economic environment that would support the policies of developing countries, *inter alia* by ensuring freer access to their markets and providing adequate financial flows in terms of quality and quantity.

ACP-EEC Convention

Entry into force of Lomé III

2.2.31. The third ACP-EEC Convention, signed in Lomé on 8 December 1984,² will enter into force on 1 May following the deposit by the end of March of instruments of ratification by the number of signatory States required under Article 286 (45 ACP

States out of 66 and the 10 Member States constituting the Community at the time of signature) and its conclusion by the Community. By 30 April 50 ACP States had completed the ratification procedures.

The Convention will apply in respect of those ACP States which have ratified it.

Programming under Lomé III

2.2.32. The process of Community aid programming, in which the Community commits itself in respect of each of the ACP States in terms of amounts of funds and recipient sectors, continued actively.

By the end of April, 50 programming missions had been carried out with the aim of drawing up by agreement with each of the ACP States concerned a Community aid indicative programme.

Generalized tariff preferences

Information seminars

2.2.33. The Commission participated in and largely financed the cost of organizing three seminars on the Generalized System of Preferences held in Colombia between 17 and 30 April. The first seminar, which took place in Cali on 17 and 18 April, concerned only the Community GSP scheme and attracted some 75 participants, mostly from the private sector representing a wide range of activities in that part of the country. From 22 to 26 April a regional seminar for representatives of the five Andean Pact countries was organized in Cartagena in collaboration with the Unctad/UNDP project, in which were presented the individual GSP schemes currently in operation together with the related rules of origin, as well as certain other trade laws. A similar but more compressed programme was carried out in Bogotá in a seminar which attracted

¹ Bull. EC 12-1985, point 2.3.35 (footnote 2); Bull. EC 1-1986, point 2.2.28.

² Bull. EC 12-1984, point 1.5.1 *et seq.*

over the three days from 28 to 30 April a total of nearly 100 participants, again mostly drawn from the private sector but including also government officials from Proexpo, the national trade promotion organization which also issues certificates of origin.

Campaign against hunger

Special programme against hunger in the world

2.2.34. At its April part-session Parliament adopted a favourable opinion¹ on the proposal for a Council Regulation on the implementation of the special programme to combat hunger in the world.

Support for food strategies

2.2.35. Following the commitment entered into at the Council meeting on 6 November 1984,³ on 11 April the Commission sent to the Council and to Parliament for information a communication on the implementation of food strategies and prospects for the future.⁴ This document contains a detailed analysis of experience of food strategy in Mali and Zambia. It also discusses the application of the food strategy approach in other countries in relation to the implementation of Lomé III.

Food aid

2.2.36. With the endorsement of the Food Aid Committee the Commission decided on

24 April on food aid operations, financed from the Community budget (see Table 14).

2.2.37. The Commission also approved on 22 April an emergency food aid allocation of 5 000 tonnes of cereals for Tunisia to assist people in the south of the country, an area particularly affected by the drought.

Emergency aid

Madagascar

2.2.38. The Commission approved an aid allocation of 500 000 ECU for victims of the cyclone Onorinina which struck Madagascar on 16 March. Thousands of people were left homeless and the town of Tamatave, which suffered particular damage, was isolated. The aid is to cover the supply of basic items such as food and blankets.

Sao Tome and Principe

2.2.39. A virulent outbreak of malaria caused the death of nearly 200 children in Sao Tome and Principe during the months of January and February. The Commission aid, in response to an appeal from the government, amounts to 350 000 ECU and

¹ OJ C 120, 20.5.1986.

² OJ C 349, 31.12.1985; Bull. EC 12-1985, point 2.3.44.

³ Bull. EC 11-1984, point 2.2.42.

⁴ COM(86) 198 final.

Table 14 — *Food aid operations*

Recipients	<i>tonnes</i>						
	Cereals	Non-vitamin-enriched milk powder	Vitamin-enriched milk powder	Butteroil	Sugar	Vegetable oil	Beans
Ethiopia	—	—	1 600	1 000	—	300	—
Uganda	—	500	—	100	—	—	—
Mozambique	50 000	—	300	100	—	200	2 000
Total	50 000	500	1 900	1 200	—	500	2 000

is intended to finance an emergency treatment and sanitation programme carried out by the Portuguese Red Cross.

Somalia

2.2.40. The Commission approved an emergency aid allocation of 1 600 000 ECU for Somalia.

The country is currently having to cope with a continuous influx of Ethiopian refugees and lacks reception facilities for these people, who have no means of subsistence.

In 1980 the number of refugees had stabilized at around 700 000. Since 1985 the influx has resumed, and it is estimated that at the present rate there will soon be 150 000 new refugees, mostly women and children.

The Office of the United Nations High Commissioner for Refugees (UNHCR) has warned that the situation is particularly grave in the Hargeisa area, where the overpopulation in the camps is causing acute and pressing problems.

In March the Commission approved an aid allocation of 500 000 ECU to halt a cholera epidemic, plus the supply of cereals and other food products.

This latest aid allocation, to be administered by UNHCR, is designed to meet needs arising over the next six months in terms of medicines, shelter, essential goods, water supply and sanitation in the transit and settlement centres.

Self-sufficiency aid for refugee groups

2.2.41. On 24 April the UN Commissioner for Namibia, Mr B. Mishra, had talks with the Commission on the implementation and further development of the Community programmes of assistance for Namibian refugees.

Trade promotion

ACP States

2.2.42. In April the Commission financed and coordinated participation by the ACP

States in international fairs which enabled the countries concerned to build up their trade contacts in Europe and Africa.

Milan International Fair

2.2.43. Eight African countries and COL-EACP (Liaison Committee for the Promotion of Tropical Fruits and Out-of-Season Vegetables) exhibited their chief products. This large trade event included a seminar on the theme 'Italian cooperation through the eyes of the developing countries', organized on 16 April with the participation of ministers and economists from many countries.

Abidjan — International Textile and Clothing Exhibition

2.2.44. Ten African countries exhibited the pick of their textiles and ready-to-wear clothing products. The success of this exhibition appeared assured as major business contracts were concluded with firms from industrialized countries.

Bulawayo — Zimbabwe Trade Fair

2.2.45. Six African countries took part in this fair, which offers special advantages as a meeting-place for businessmen from southern Africa.

Paris International Fair

2.2.46. Among the many countries present at this international exhibition, the ACP group, appearing under the auspices of the Community, attracted particular interest on account of its extensive range of agro-industrial and craft products on show.

Stabex

LLDCs not party to the Lomé Convention

2.2.47. A commission group visited Dhaka, Bangladesh, from 14 to 19 April to

prepare the way for the setting-up of an export earnings compensation system for the least-developed countries not party to the Lomé Convention.¹ Talks were held with representatives of the sectors concerned (jute, tea, hides and skins) to provide them with information on the principles governing the system and also to supply more detailed information regarding those sectors under Stabex. It was agreed to take all necessary steps to introduce statistical cooperation as speedily as possible under the new earnings stabilization system, for which 1986 would in principle be the first year of application.

Utilization of Lomé II unexpended balance

2.2.48. Following the 11 April meeting of the ACP-EEC Stabex Subcommittee, the ACP-EEC Council of Ministers on 18 April adopted a decision on the utilization of the unexpended balance of the Stabex allocation under the second Lomé Convention.² It was decided that this unexpended balance, which amounted to 127 180 016 ECU, would be disbursed in the form of transfers by way of compensation for an additional portion of the earnings losses in respect of application years 1980 and 1981 which had not been wholly covered. The formula by which the unexpended balance will be distributed provides, moreover, for more favourable treatment for the least-developed ACP States.

Advances

2.2.49. On 17 and 18 April two agreements concerning the following advances on transfers were signed:

- (i) 5 million ECU for the 1985 application year for Senegal (groundnuts);
- (ii) 831 445 ECU for Tanzania as part of the distribution of the unexpended balance of the allocation under the second Lomé Convention.

The advance for Senegal follows a preliminary advance of 10 million ECU in respect of the same product and for the same year.³

Requests

2.2.50. On 31 March the Commission received from 20 ACP States a total of 36 requests for Stabex transfers in respect of the first year of the period covered by the third Lomé Convention, namely 1985. An initial examination of these requests shows that the financial resources available for that year will most probably be sufficient to cover all the requests.

Industrial cooperation

West Africa Industrial Forum

2.2.51. The second coordination meeting of the VIIth West Africa Industrial Forum, due to take place in Dakar, Senegal, from 1 to 4 December, was held in Brussels on 22 April.

Financial and technical cooperation

ACP States

2.2.52. In April the Commission allocated fifth EDF resources totalling 20 992 000 ECU to finance projects, programmes and emergency aid operations which it administers in the following sectors.

¹ Bull. EC 10-1985, points 2.3.31 and 2.3.43.

² Bull. EC 3-1986, point 2.2.52.

³ Bull. EC 12-1985, point 2.3.51.

Table 15 — *Financing of fifth EDF operations*

<i>(million ECU)</i>			
Sector/country	Project	Grants	Loans
<i>Industrialization</i>			
Papua New Guinea	Small-scale hydroelectric power station	2.700	
<i>Rural production</i>			
Cameroon	Hydro-agricultural development	1.500	
Malawi	Fisheries	2.927	
<i>Social development</i>			
Malawi	Rural development centre	0.900	
Botswana, Swaziland and Zimbabwe	Training of railway personnel	2.000	
Mauritania	Health infrastructure	0.540	
Guinea-Bissau	Village water-engineering	1.400	
Burundi	Education infrastructure	5.000	
<i>Other</i>			
Somalia	Technical assistance for the Ministry of Finance	1.875	
<i>Emergency aid</i>			
Sao Tome and Principe	Malaria victims	0.350	
Sierra Leone	Cholera victims	0.200	
Somalia	Ethiopian refugees in Somalia	1.600	
Total		20.992	

Southern and eastern Mediterranean countries

2.2.53. As part of its financial and technical aid to the associated Mediterranean countries, the Commission decided to finance four projects:

Algeria

2 750 000 ECU for training administrative staff of the Ministry of Public Works. The purpose of the project is to strengthen the training system for engineers in advanced training institutes and in-service training for middle management staff.

3 900 000 ECU for the training of administrative staff in heavy industry.

Tunisia

1 000 000 ECU for strengthening the research capacity of the Directorate of Water Resources, Ministry of Agriculture. The steady development of agriculture is one of the priorities of Tunisia's VIth Economic Development Plan (1982-86). Given the importance of water for agricultural development, the Ministry of Agriculture devotes particular attention to surveying and managing the country's water resources.

Jordan

2 000 000 ECU for the Faculty of Engineering and Technology, University of Jordan. The main aim of the project is to develop the Faculty.

Regional cooperation

2.2.54. A regional meeting of Unido took place in Brussels on 28 and 29 April with the participation of representatives from the French regions, the French Government, the Unido offices in Vienna and Paris, the Commission and the Centre for the Development of Industry. Various industrial cooperation issues were discussed.

Cooperation via non-governmental organizations

2.2.55. The twelfth annual general assembly of European development NGOs was held in Brussels from 22 to 24 April.¹ Commission and NGO representatives took stock of 10 years of cooperation and discussed future policy. The assembly opened with speeches from Mr Delors, President of the Commission, and Mr Bottazzi, Chairman of the NGO Liaison Committee. Spanish and Portuguese NGOs were represented for the first time. This cooperation was started in 1976 as a way of giving Community support to 'unofficial' European efforts to aid the most disadvantaged groups in the Third World. It involves the cofinancing of development microprojects in developing countries, campaigns to educate European public opinion, the organization of food and emergency aid and back-up for coordination between NGOs to make aid more effective.

2.2.56. In the period 1 to 30 April a total of 6.7 million ECU was committed by the Commission for the cofinancing of 56 projects in developing countries presented by 43 NGOs.

The Commission also contributed 770 000 ECU to 21 campaigns to increase European public awareness of development issues.

Institutions

ACP-EEC

ACP-EEC Council of Ministers

2.2.57. The eleventh session of the ACP-EEC Council of Ministers took place in

Bridgetown, Barbados, on 24 and 25 April under the chairmanship of Mr P. Tovua, Foreign Minister of the Solomon Islands and President of the Council of ACP Ministers. The Community delegation was led by Mr W.F. van Eekelen, State Secretary for Foreign Affairs of the Netherlands and President of the Council of the European Communities; the Commission was represented by Mr Natali, Vice-President with special responsibility for cooperation and development.

One important fact was underlined in all the opening speeches, namely that the meeting was being held only a few days before the entry into force on 1 May of the Third Lomé Convention (→ point 2.2.31). The speakers emphasized the completion of the procedures enabling the Convention to become fully operational as soon as it entered into force.

The discussions centred on several issues:

(i) *GATT negotiations*. The Commission will keep the ACP States informed and the Community will consult them before it adopts final positions.

(ii) *Tuna for canning*. The ACP States expressed concern at the effects of Community measures which they regarded as detrimental to their canning industries. It was agreed to discuss the matter during May.

(iii) *Stabex*. With regard to the Stabex unexpended balance under Lomé II, the ACP States considered that they remained entitled to what the Community had been unable to transfer to them in respect of application years 1980 and 1981. Mr Natali stated in reply that no further claims could be made on the Community and that there were no more unexpended funds available since the joint decision of 18 April (→ point 2.2.48). The Community considered the matter duly closed.

With regard to exports to all destinations,² there was agreement to continue discussion of the matter, but the Community con-

¹ Previous assembly: Bull. EC 5-1985, point 2.2.41.

² Bull. EC 3-1986, point 2.2.52.

sidered that the requests would endanger the financial balance of the system.

As for contributions to replenishment by Congo and Gabon,¹ the ACP States merely noted the Community's urgent appeal for a dialogue between the two countries concerned and the Commission.

(iv) *Guaranteed price for ACP sugar (1985/86)*. The ACP States — with Mauritius reserving its position — finished by accepting the final Community offer.² With regard to the principles and procedures to be followed in future for differentiating the price of raw sugar from that of white sugar, talks between the Community and the ACP States concerned would continue.

(v) *Financial and technical cooperation*. The Council adopted resolutions based on an examination of specific cases of difficulties encountered and a resolution on the evaluation of projects and programmes financed by the EDF in the road infrastructure, livestock production, technical cooperation and trade promotion fields. The necessary steps were taken to set up the Lomé III Article 193 Committee.

(vi) *Accession of Spain and Portugal to Lomé III*. A joint decision was taken establishing transitional arrangements (Article 284 (3) of Lomé III) until the end of 1986 to allow Lomé III to apply to Spain and Portugal from its entry into force on 1 May pending the conclusion of a protocol of accession, in respect of which negotiations began on 10 December 1985.³

(vii) *Students and migrant workers*. The Council was unable to reach a final position on the ACP proposal to set up a working party to examine the issue because of objections by the EEC Council that this would interfere with the exclusive jurisdiction of Member States of the Community. On matters within Community jurisdiction, the ACP States could contact the Commission.

(viii) *Negotiation of a new cocoa agreement*. The ACP States expressed their concern at the lack of progress in the negotiations for a fourth cocoa agreement⁴ and called upon the Community to relax its

policy towards requests from producer countries.

The Community stated that it wished to achieve a stable agreement that would be fair to all parties. It stressed — referring to the ambiguous attitude of Ivory Coast — that continued negotiations required the participation of all leading producer countries.

(ix) *Situation in southern Africa*. The statements by the ACP side and the Community showed a broad convergence of views in their criticism of South Africa's policy, both domestically and in terms of the dangers it presents to neighbouring countries. The two sides associated themselves with the statement made in Lusaka at the beginning of February on the occasion of the meeting with the front-line States.⁵

(x) *Exchange of views on the special session of the UN General Assembly on Africa (end of May)*. The Council emphasized the importance of this special session as a means of giving detailed consideration to ways of resolving the grave crisis currently afflicting Africa.

The President of the EEC Council and Mr Natali drew attention in particular to the guidelines adopted on 17 April by the Council meeting of Development Ministers (→ point 2.2.29). Senegal, which currently holds the chairmanship of the OAU, referred to the documents prepared by that organization.

2.2.58. On 18 April Parliament adopted a resolution on the disturbance of the ecological balance in Botswana (→ point 2.4.13).⁶

¹ Bull. EC 3-1986, point 2.2.52.

² OJ L 88, 3.4.1986; Bull. EC 3-1986, point 2.1.115.

³ Bull. EC 11-1985, point 2.3.38.

⁴ Bull. EC 3-1986, point 2.2.33.

⁵ Bull. EC 2-1986, point 2.4.1

⁶ OJ C 120, 20.5.1986.

International organizations and conferences

United Nations

Economic and Social Council

Economic Commission for Europe

2.2.59. The 41st session of the Economic Commission for Europe was held in Geneva from 15 to 26 April.¹ Part of the first week of the session's work was highly politicized because of attacks by the Soviet and other East European delegations on the American bombing of Libya. The Netherlands delegation expressed on behalf of the Community its regret at the introduction of this kind of extraneous issue, which was outside the terms of reference of the EEC. Although the atmosphere improved in the second half of the session, the results were less encouraging than in 1985. Agreement on progress in fields of East-West cooperation such as energy, the environment, science and technology and transport could not be achieved. However, some positive decisions were taken on trade and industrial and economic cooperation in the Mediterranean.

Organization for Economic Cooperation and Development

Council

2.2.60. The annual ministerial-level meeting of the OECD Council was held in Paris on 17 and 18 April under the chairmanship of Mr Turgut Ozal, Prime Minister of Turkey.² Mr Jacques Delors, President of the Commission, and Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy, represented the Community.

Ministers first examined the world economic situation and prospects. Although short-term and medium-term prospects in the OECD area had improved during the

last year, this did not seem to have been enough to reduce unemployment, the high level of which, particularly in Europe, was one of the most pressing problems. There were some favourable factors, such as lower oil prices, exchange rate adjustments, efforts to reduce the US budget deficit and the recent fall in interest rates, but there were still serious dangers inherent in both the level of indebtedness of the developing countries and the oil market.

The existing medium-term and long-term energy objectives were confirmed; any adjustments which might prove necessary regarding the means of attaining the objectives would be decided later (→ point 2.1.156).

Discussions on relations with developing countries centred on the debt problem (→ point 2.2.30).

On trade, there was unequivocal support for a new round of multilateral negotiations. They should lead to fuller participation in the open multilateral trading system by developing countries, which should contribute to the liberalization process in a manner commensurate with their stage of economic development. Ministers supported a comprehensive agenda for the negotiations, including issues of trade in services.

Ministers said that their governments were prepared to contribute to an effective and credible standstill undertaking by all GATT Contracting Parties and to discuss with their partners a meaningful monitoring process for its application. They also stressed the importance of the rollback of protectionist measures in order to contribute to the achievement of the liberalization objective of the new round.

Finally, Ministers undertook to seek as much liberalization as possible in the renegotiation of the Multifibre Arrangement. The Community, with the support of several OECD countries, was anxious to

¹ Previous session: Bull. EC 4-1985, point 2.2.45.

² Previous meeting: Bull. EC 4-1985, point 2.2.49.

confirm that this policy was a step towards the ultimate objective of applying GATT rules to trade in textiles.

In his speech to the Council, Mr Delors confirmed that the growth of world trade was still central to reducing North-South imbalances and resolving the unemployment problem. The Community would be in a position to make its contribution since it was now reasonable to expect relatively homogeneous growth in the main OECD regions. Nevertheless, world trade was still not growing strongly enough. Mr Delors went on to stress the opportune nature of the Baker initiative on debt:¹ this should become more wide-ranging, a fully fledged 'plan', and should in particular be supplemented by a replenishment of the resources of the IDA to a suitable level, a swift and adequate increase in the capital of the World Bank, a selective allocation of SDRs and a revival of export credits. Lastly, with regard to the Community's dispute with the United States, Mr Delors said that enlargement would benefit international trade overall, and added that customs unions, such as an enlarged Community embracing Spain and Portugal, had a positive contribution to make as regards reinforcing the multilateral nature of world trade and we should never forget this.

Mr De Clercq addressed the Council more particularly on trade matters, restating the need to inject new dynamism into the multilateral system.

Council of Europe

Parliamentary Assembly

2.2.61. The Parliamentary Assembly of the Council of Europe held its 38th session² in Strasbourg from 21 to 25 April. In accordance with a new procedure recommended by the Commission chaired by Mr Emilio Colombo, former Italian Foreign Minister,³ the Chairman of the Committee of Ministers and other ministers spoke in the Assembly's general policy debate on pro-

gress in building Europe, which was based on a report by the organization's Secretary-General.

In view of the geographical enlargement and extended powers of the European Community, which now formed a majority within it, the Assembly stressed the specific role which the Council of Europe could play in building Europe and laid down its priorities and the form future cooperation between the Council of Europe and the Community should take.

Committee of Ministers

2.2.62. Meeting in parallel with the Parliamentary Assembly on 23 and 24 April, the Committee of Ministers decided to call a European conference of Ministers responsible for combating terrorism before the end of the year.

Diplomatic relations

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

4 April

HE Mr Egide Nkuriyigoma, Representative of the Republic of Burundi to the EEC and Head of Mission to the ECSC and Euratom;

7 April

HE Mr Abdul Gadire Koroma, Head of Mission of the Republic of Sierra Leone to the European Communities; HE Mr Ekoué Assiongbon, Representative of the Togolese Republic to the EEC and Head of Mission to the ECSC and Euratom; HE Mr Román Rojas-Cabot, Head of Mission of the Republic of Venezuela to the European Communities.

¹ Bull. EC 12-1985, point 2.3.35 (footnote 2).

² Bull. EC 10-1985, point 2.3.57.

³ Bull. EC 11-1985, point 2.2.57.

3. Financing Community activities

Budgets

General budget

Current financial situation

2.3.1. On 11 April the Commission sent the budgetary authority a communication presenting a four-year financial perspective 1987-90 and a report on structural measures in 1986 (→ point 1.1.1 *et seq.*).

Following discussions on these documents with the Council (foreign affairs meeting on 22 April and economic and financial affairs meeting on 28 April) (→ point 2.3.6) and Parliament (→ point 2.4.13),¹ the Commission established the preliminary draft supplementary and amending budget for 1986 and the preliminary draft budget for 1987 on 30 April (→ points 2.3.2 to 2.3.5).

1986 budget

*Preliminary draft supplementary and amending budget No 1/86*²

2.3.2. Preliminary draft supplementary and amending budget No 1/86 has been established on the basis of the 1986 budget declared finally adopted by Parliament.³ Although it completely takes up the own resources available within the 1.4% VAT limit, it covers only some of the additional requirements, adjusts the correction of budgetary imbalances and modifies only the statement of expenditure.

On the basis of the 1986 budget, the margin of own resources still available amounts to 2 517.3 million ECU.

The current state of implementation for the 1985 appropriations for payments gives rise to a further increase in the correction for

budgetary imbalances. The net correction in favour of the United Kingdom has to be increased by 500 million ECU net from the 1 400 million ECU in the initial 1986 budget (or by 706.5 million ECU in gross expenditure equivalent from the 1 978.2 million ECU in the initial 1986 budget).

The margin of own resources remaining available after this adjustment amounts to 1 810.8 million ECU.

The Commission proposes that this margin be used as follows, thus exhausting own resources:

(i) *Adjustment of refunds to Spain and Portugal* in respect of their VAT payment or GNP-based contribution under the obligations arising from the Act of Accession: 145.5 million ECU.

(ii) *Structural Funds*. Following its report on structural measures in 1986 (→ points 1.1.8 to 1.1.10), the Commission proposes that payment appropriations for the structural Funds in 1986 be increased by 750 million ECU, broken down as follows: 100 million ECU for the EAGGF Guidance Section, 150 million ECU for the Regional Fund and 500 million ECU for the Social Fund.

(iii) *EAGGF Guarantee Section*. To cover the additional requirements resulting from the agreements reached by the Council on 25 April on the agricultural prices for 1986/87 (→ point 1.4.1 *et seq.*), the currency realignment (→ point 2.1.2), the market situation and the lower level of expenditure following the clearance of past years' accounts, the Commission entered 915.3 million ECU for the EAGGF Guarantee Section in its preliminary draft supplementary and amending budget.

Because of the time limits laid down in the rules, the Commission feels that amend-

¹ OJ C 120, 20.5.1986.

² For the political background to this budget, see points 1.2.1 and 1.2.2.

³ OJ L 358, 31.12.1985; Bull. EC 12-1985, point 2.4.1.

ments to the statement of revenue cannot be made until September.

Adoption of the preliminary draft supplementary and amending budget will therefore mean that the VAT rate will be 1.4% for all Member States except the Federal Republic of Germany (1.3370%) and the United Kingdom (0.6767%).

1987 budget

*Preliminary draft budget*¹

2.3.3. The overview of the preliminary draft budget for 1987 is as follows:

¹ For the political background to this budget and the elements on which it is based, see point 1.2.3 *et seq.*

Table 16 — *Preliminary draft budget for 1987*

Basic parameters

Maximum rate of increase for non-compulsory expenditure:	8.10%
Average rate of inflation:	3.4%
Uniform VAT rate:	1.2563%

Appropriations for commitments¹

Institution	Appropriations 1986 ²		Preliminary draft budget 1987		Increase 1987 over 1986
	Amount	%	Amount	%	
Parliament	306 141 258	0.84	330 938 700	0.87	8.10 ³
Council	185 602 700	0.51	200 636 500	0.53	8.10 ³
Commission	35 711 252 852	98.47	37 451 760 134	98.42	4.87
Court of Justice	39 978 800	0.11	43 217 000	0.11	8.10 ³
Court of Auditors	23 544 130	0.06	27 252 610	0.07	15.75
Total	36 266 519 740	100.00	38 053 804 944	100.00	4.93

¹ Appropriations for commitments are the commitment appropriations in headings where appropriations are differentiated, i.e. where a distinction is made between commitment appropriations and payment appropriations, plus the non-differentiated appropriations.

² Including preliminary draft supplementary and amending budget No 1/86.

³ Working assumption.

Budgets

Table 16 (Continued)

Appropriations for payments¹

Institution	Appropriations 1986 ²		Preliminary draft budget 1987		Increase 1987 over 1986
	Amount	%	Amount	%	
Parliament	306 141 258	0.87	330 938 700	0.90	8.10 ³
Council	185 602 700	0.53	200 636 500	0.55	8.10 ³
Commission	34 570 283 791	98.42	36 075 361 454	98.36	4.35
Court of Justice	39 978 800	0.11	43 217 000	0.12	8.10 ³
Court of Auditors	23 544 130	0.07	27 252 610	0.07	15.75
Total	35 125 550 679	100.00	36 677 406 264	100.00	4.42

¹ Appropriations for payments are the payment appropriations in headings where appropriations are differentiated, i.e. where a distinction is made between commitment appropriations and payment appropriations, plus the non-differentiated appropriations.

² Including preliminary draft supplementary and amending budget No 1/86.

³ Working assumption.

Revenue

Source of revenue	1986	1987	Percentage change
1. Agricultural levies	1 584 900 000	2 078 400 000	+ 31.14
2. Sugar/isoglucose levies	1 113 800 000	1 218 700 000	+ 9.42
3. Customs duties	9 700 500 000	9 761 500 000	+ 0.63
4. Financial contributions, including correction in favour of the UK	210 987 791	192 324 799	- 8.85
5. VAT — 1.4%, including correction in favour of UK	22 257 878 324	23 452 228 853	+ 5.37
6. Intergovernmental advances	—	—	
7. Miscellaneous revenue	257 484 564	277 201 808	+ 7.66
Total	35 125 550 679	36 980 355 460	+ 5.28

Revenue

2.3.4. The revenue forecasts for 1987 amount 36 677.4 million ECU, a 4.4% increase over the figures contained in the 1986 budget (including supplementary and amending budget No 1/86).

The highest VAT rate proposed by the Commission in 1987 to balance budgetary expenditure and revenue is 1.3837%; because of the correction for budgetary imbalances, the rates applied to the United Kingdom and Germany are only 0.8176% and 1.3296%. Since the maximum rate allowed under the Council Decision of 7 May 1985 on the Communities' system of own resources¹ is 1.4%, a margin of 302.9 million ECU in own resources remains available. The uniform rate is 1.2563%.

In 1987, as in 1986, Portugal will be exempted from applying the common VAT system. This temporary derogation is valid until 1 January 1989. Instead of VAT own resources, it will pay to the budget a financial contribution based on its share of Community GNP.

During a transitional period, Spain and Portugal will receive a degressive refund of their payments of VAT own resources or financial contributions. In 1987 this proportion will be 70%; in 1986 it was 87%.

The correction of budgetary imbalances to be granted to the United Kingdom amounts to 1 633 million ECU net.

Under the Decision of 7 May 1985 none of the modulated VAT rates is allowed to exceed 1.4%. This means that applying the correction on the revenue side by modulating the VAT rates is as costly to the Community budget as granting compensation on the expenditure side, which would involve raising the uniform VAT rate by 0.1274%.

Expenditure

2.3.5. Proposed appropriations total 38 053.8 million ECU for commitments and 36 677.4 million ECU for payments,

increases over the overall appropriations for 1986 (including preliminary draft supplementary and amending budget No 1/86) of 4.9% and 4.4% respectively.

The comparatively low overall rates of increase are due mainly to the small rise in the amount for the EAGGF Guarantee Section calculated in accordance with the financial guideline,² which is 4.7% higher than the amount in preliminary draft supplementary and amending budget No 1/86.

At 36 677.4 million ECU the proposals are very close to the assumptions for 1987 of 36 843 million ECU in the Commission's communication on the financial perspective 1987-90 (→ points 1.1.2 to 1.1.7). The origin of the difference lies in a variety of chapters and is mainly a result of increased appropriations for new policies in some sectors and the need to earmark more appropriations than expected to cover the entire cost of the past in other sectors.

• *Changes in compulsory expenditure*

Appropriations for compulsory expenditure total 27 135.0 million ECU for commitments and 27 045.5 million ECU for payments, increases of 2.6% and 2.0% respectively. The comparatively small increase of 4.7% for the EAGGF Guarantee Section is due to two factors:

- (i) the 1987 appropriations reflect the amounts calculated in accordance with the financial guideline,² which means that they do not cover additional real needs estimated at 1 800 million ECU;
- (ii) the 1986 appropriations include the real needs covered by supplementary and amending budget No 1/86.

The small overall increase can be explained by the limited increases in the EAGGF Guarantee Section and the reduction in refunds to Spain and Portugal from 87% to

¹ OJ L 128, 14.5.1985.

² Bull. EC 12-1984, point 1.3.1 *et seq.*

70% of their VAT shares under the Act of Accession.

- *Changes in non-compulsory expenditure*

Appropriations for non-compulsory expenditure total 10 918.8 million ECU for commitments and 9 631.9 million ECU for payments, increases of 11.1% and 12.0% respectively.

The increase in non-compulsory expenditure exceeds the maximum rate of 8.1% because of the development of policies for Spain and Portugal and because of the appropriations needed to meet the cost of the past for the structural Funds, research and development aid.

A large proportion of non-compulsory expenditure—773.1 million ECU in appropriations for commitments and 274.5 million ECU in appropriations for payments—is for new operations. If these are excluded, the increase in non-compulsory expenditure would be 3.3% for commitments and 8.9% for payments.

In accordance with Article 203(9) *et seq.* of the EEC Treaty, the Commission is proposing that a new rate of increase be applied for non-compulsory expenditure for both commitments and payments.

- *Appropriations for the cost of the past*

Payment appropriations in the 1987 budget to meet some of the commitments still outstanding at 1 January 1987 (the cost of the past for 1986) are estimated at 4 661 million ECU, an increase of 10.0% on the 4 236.1 million ECU estimated for 1986.

Of the total payment appropriations (differentiated) available (9 631.9 million ECU in 1987 and 8 596.3 million ECU in 1986), the proportion required to meet the cost of the past in 1987 is very high and much the same as in 1986 (48.4% compared with 49.3%).

In its communication to the Council and Parliament on the financial perspective

1987-90 (→ points 1.1.2 to 1.1.7), the Commission stated that a modest increase in commitment appropriations (differentiated) should be provided over this period, in particular for the three structural Funds, in order to stabilize the growth in the cost of the past and bring under control the excessive cost of the past.

- *Nomenclature*

The reduction in the number of headings was effected in accordance with some straightforward principles, which should not affect the transparency of the budget:

- (i) simplification by merging budget headings;
- (ii) amendment of the nomenclature for study appropriations;
- (iii) elimination of headings carrying token entries.

- *New operations*

The new operations mainly concern structural policy in the fisheries sector, cooperation between European universities and with industry, fusion research, research in various technical sectors, financial engineering operations and several measures relating to cooperation with developing countries and with other non-member countries.

- *EAGGF Guarantee Section*

All in all, because of the changes in certain external factors and the likely shortfall in Guarantee Section appropriations for 1986 even after the supplementary budget, real expenditure in 1987 may well exceed the appropriations proposed in the preliminary draft in line with the financial guideline (22 960.8 million ECU), despite the Council's 1986/87 price decisions of 25 April (→ point 1.4.1 *et seq.*) and the savings proposed by the Commission. The overrun is currently estimated at 1 200 million ECU if the dollar stands at 1.1 ECU,

and at 2 500 million ECU if it stands at 1.02 ECU (roughly the current rate).

There are three possible ways of meeting these additional requirements beyond the figure calculated in line with the financial guideline:

- (i) making further savings in the EAGGF Guarantee Section;
- (ii) deferring some payments until 1988 or altering the present financing arrangements;
- (iii) calling for contributions by the Member States.

- *EAGGF Guidance Section*

Given the indicative figure of 6 350 million ECU set by the Council for commitments over the five-year period 1985-89, of which 6 176 million ECU is for the EAGGF Guidance Section, it is proposed that appropriations for 1987 be increased by 11.8% for commitments and 6.7% for payments as compared with the 1986 budget (including the additional 85 million ECU and 100 million ECU respectively entered in preliminary draft supplementary and amending budget No 1/86).

- *Fisheries*

The growth in appropriations proposed for fisheries is explained by four factors:

- (i) completion of certain structural programmes in 1986;
- (ii) implementation of the five-year (1985-89) programme for the EAGGF Guidance Section (174 million ECU for fisheries);
- (iii) the financing, from 1987, of the new structures policy;¹
- (iv) 1987 will be a turning point in the growth of fishery policy appropriations. Enlargement transformed the Community fishing industry, with increases of 90% in the number of sea fishermen, 80% in fishing capacity and 46% in production for human consumption. This change in scale did not affect the 1986 budget. But after a year of

transition in 1987, the Community must expect, with the next series of fishery agreements with non-member countries and the establishment of a new structures policy, much swifter growth in this expenditure from 1988, with Spain and Portugal receiving a substantial share of guarantee expenditure and structural aid.

- *Regional development and transport*

One of the Commission's objectives is to enhance the effectiveness and coordination of the existing structural financial instruments, but without, as in the past, increasing their budgetary resources.

With regard more especially to regional policy, the volume of commitment appropriations is increased only moderately in an attempt to contain the development of the 'cost of the past' problem. A further point to note is that 1987 will be less affected than 1986 by the entry of Spain and Portugal.

Faced with the dilemma caused by the limits on own resources and the need to honour both the commitments of the past and the new ones of the current year, the Commission is proposing an increase of 5.1% in payment appropriations.

In 1987 all the proposals for integrated Mediterranean programmes should have been made by the three States concerned. In view of the relative novelty of this type of integrated structural operation, commitment of the resources allocated is expected to be very gradual, especially since the programmes are generally designed as a series of successive stages.

As soon as all the proposals for programmes are to hand, the Commission will make proposals for financing them.

The Commission is planning to broaden gradually the integrated programme concept to include measures to assist declining industrial areas.

¹ OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.205.

As regards transport policy, the Commission deplores the current blockage in the Council of all its initiatives for transport infrastructure within the Community. It is therefore proposing a very modest amount, in order to carry on with the few measures already agreed upon.

- *Social sector*

In all, appropriations in the social sector for 1987 are 11.3% up on 1986 for commitments and 4.5% up for payments.

The Social Fund appropriations, which make up 94% of the allocation proposed for the social sector, show an increase of 9.34% for commitments and 2.21% for payments. In the case of commitments, this is more than the 4.5% proposed for the ERDF because the impact of aid for Spain and Portugal is more gradual in the case of the Social Fund. The Social Fund payment appropriations have been calculated on the basis of a schedule to clear current outstanding commitments (cost of the past) over three years.

The increase in planned expenditure in the other chapters is mainly due to new activities, as, for example, the Comett and Erasmus programmes in the field of education and European Environment Year.

- *Research, energy and industry*

The main reason for the sharp rise in appropriations for this chapter is the exceptional effort made by the Commission for research policy:

(i) In the field of research, 1987 will be both the first year in which the new general framework programme for Community scientific and technical activities (1987-91) is implemented and the first year in which the terms of Title VI of the Single European Act¹ devoted to R&D are applied. The Commission's aim is to raise the share of the budget devoted to research to 6% in 1989-90. The appropriations proposed for 1987 are in line with this basic approach,

which explains the very sharp increases on 1986 appropriations:

commitment appropriations up by 59.11% (from 664.4 million ECU to 1 134.1 million ECU) and payment appropriations up by 30.8% (from 628.7 million ECU to 822 million ECU).

(ii) There is a new major operation concerning financial engineering with a substantial allocation of appropriations (75 million ECU for commitments and 35 million ECU for payments).

- *Repayments and aid to Member States, loan guarantees and miscellaneous*

This title covers the flat-rate repayment of costs incurred in collecting own resources, refunds to Spain and Portugal of a proportion of their payments of own resources or financial contributions in accordance with the Act of Accession, repayment to the Member States of the advances made in 1984² and financial compensation to Spain and Portugal for their share in this repayment.

These appropriations are 14.07% lower than in 1986, taking the supplementary and amending budget into account.

- *Cooperation with developing and other non-member countries*

Development cooperation continues to be a priority policy for the Community and occupies an important place in the budget.

However, it is planned in future to place more emphasis on Community operations under economic and commercial cooperation agreements with non-member countries; in consequence, traditional development operations will not require substantially increased funds.

Overall, the proposed appropriations in 1987 are 3.4% down for commitments and

¹ Supplement 2/86 — Bull. EC.

² Bull. EC 10-1984, point 1.1.3.

7.5% up for payments compared with 1986. The fall in respect of commitments is due almost entirely to the sharp reduction in appropriations for food aid for the following two reasons:

- (i) the fall in cereal prices on the world markets;
- (ii) the commitment appropriations for food aid which were not used in earlier years and therefore had to be re-entered in 1985 and 1986; they will not affect the 1987 budget.

In addition, to underline the priority traditionally accorded to food aid, the Commission is proposing that a reserve of 50 million ECU be introduced, corresponding to 200 000 tonnes of cereal equivalent, as emergency food aid.

- *Administrative appropriations*

The overall increase in appropriations is 11.1%. Much of this expenditure is irreducible since it is unavoidable—salaries, pensions and other allowances as well as essential funds enabling the institution to operate normally and carry out the tasks assigned to it by the Treaties.

It should be stressed that part of this expenditure, e.g. pensions, relates to all the institutions.

Another, more political category of expenditure concerns the expenditure resulting from the exercise of specific functions, usually on behalf of all the Community institutions. The increase in expenditure resulting from special functions carried out by the institution is, to a substantial extent, due to the entry of appropriations over which the Commission does not always have independent management powers.

It will also be noted that the Commission wishes to step up its vocational training and retraining measures.

- *Borrowing and lending and loan guarantees*

Community financing from loans raised and the guarantees and interest subsidies pro-

vided for in the general budget to allow Community funds to be lent on easier terms form an essential complement to Community policies.

Within the limits of available own resources, these operations will continue to play a valuable part in supporting and/or launching Community measures, especially those designed to assist regional development in Spain and Portugal and to promote the Community's industrial competitiveness.

Although borrowing and lending operations do not increase budget resources and are not designed to cover the Community's current expenditure, they are becoming increasingly interlinked with the budget. Whether in guaranteeing loans raised or providing interest subsidies on loans granted by the Community, budget support for these operations is appreciable.

Despite these links, however, it has proved impossible so far fully to integrate borrowing and lending operations in the budget.

At 31 December 1985 the ceilings for the guarantees for lenders to the NCI, Euratom and balance-of-payments facilities and the guarantees for EIB loans (Mediterranean area) amounted to 19 400 million ECU.

The amount outstanding in capital totalled 13 000 million ECU. On this basis, the guarantees to be taken into consideration for 1986 and 1987 amount to 1 500 million and 2 300 million ECU respectively.

Tables 17 and 18 compare 1986 and 1987 levels of Community expenditure by sector and total expenditure in both appropriations for payments and appropriations for commitments.

Budgetary discipline

2.3.6. At the Council meeting in Luxembourg on 28 April the Ministers for Economic and Financial Affairs examined the Community's budgetary situation and fixed

Table 17 — *Community expenditure by sector — Total expenditure*
(Appropriations for commitments)

(in ECU)

	1986 budget ¹		1987 preliminary draft		Variations (3:1)	
	Amount (1)	% (2)	Amount (3)	% (4)	Amount (5)	% (6)
1. Agricultural market guarantees						
EAGGF Guarantee (Ch. 10 to 29)	21 927 254 929	60.46	22 960 800 000	60.34	+ 1 033 545 071	+ 4.71
Total 1	21 927 254 929	60.46	22 960 800 000	60.34	+ 1 033 545 071	+ 4.71
2. Structural policies						
EAGGF Guidance (Ch. 30 to 33)	894 530 721	2.47	1 000 000 000	2.63	+ 105 469 279	+ 11.79
Specific agric. measures (Ch. 38)	69 397 818	0.19	73 229 000	0.19	+ 3 831 182	+ 5.52
Fisheries (Ch. 40 to 47)	243 354 654	0.67	260 000 000	0.68	+ 16 645 346	+ 6.84
Regional Fund (Ch. 50 and 51)	3 176 500 000	8.76	3 319 000 000	8.72	+ 142 500 000	+ 4.49
Mediterranean programmes (Ch. 55)	260 000 000	0.72	245 000 000	0.64	- 15 000 000	- 5.77
Misc. reg. measures (Ch. 54 and 57)	32 176 500	0.09	29 814 000	0.08	- 2 362 500	- 7.34
Transport (Ch. 58)	75 840 000	0.21	33 300 000	0.09	- 42 540 000	- 56.09
Social Fund (Ch. 60 and 61)	2 370 500 000	6.54	2 592 000 000	6.81	+ 221 500 000	+ 9.34
Misc. social measures (Ch. 64, 65 and 69)	66 520 463	0.18	70 628 400	0.19	+ 4 107 937	+ 6.18
Education and culture (Ch. 63 and 67)	36 454 125	0.10	82 661 000	0.22	+ 46 206 875	+ 126.75
Environment and consumers (Ch. 66)	24 450 325	0.07	34 600 000	0.09	+ 10 149 675	+ 41.51
Total 2	7 249 724 606	19.99	7 740 232 400	20.34	+ 490 507 794	+ 6.77
3. Research, energy and industry						
Energy (Ch. 70 and 71)	160 307 000	0.44	124 240 000	0.33	- 36 067 000	- 22.50
Research and investments (Ch. 73 and 78)	664 374 250	1.83	1 134 140 000	2.98	+ 469 765 750	+ 70.71
Information and innovation (Ch. 75)	17 536 250	0.05	21 000 000	0.06	+ 3 463 750	+ 19.75
Indust. and intern. market (Ch. 77 and 79)	75 051 500	0.21	180 050 000	0.47	+ 104 998 500	+ 139.90
Total 3	917 269 000	2.53	1 459 430 000	3.84	+ 542 161 000	+ 59.11

4. Repayments and reserve							
Repayments to the Member States (Ch. 80)	1 239 920 000	3.42	1 305 860 000	3.43	+	65 940 000	+ 5.32
Misc. guarantees (Ch. 83 to 85)	p.m. —	—	p.m. —	—		—	—
VAT/GNP refunds (Ch. 86)	1 809 081 437	4.99	1 279 000 274	3.36	-	530 081 163	- 29.30
1984 advances (Ch. 87)	250 854 655	0.69	250 854 655	0.66		—	—
Reserve (Ch. 101)	5 000 000	0.01	700 000 000	0.18	+	65 000 000	+ 1 300.00
Total 4	3 304 856 092	9.11	2 905 714 929	7.64	-	399 141 163	- 12.08
5. Development cooperation and non-member countries							
EDF (Ch. 90 and 91)	p.m. —	—	p.m. —	—		—	—
Food aid (Ch. 92)	698 610 000	1.93	545 700 000	1.43	-	152 910 000	- 21.89
Cooperation with Latin American and Asian developing countries (Ch. 93)	297 930 750	0.82	272 620 000	0.72	-	25 310 750	- 8.50
Spec. and excep. measures (Ch. 94 and 95)	118 735 050	0.33	116 050 000	0.30	-	2 685 050	- 2.26
Cooperation with Mediterranean countries (Ch. 96)	81 446 000	0.22	211 700 000	0.56	+	130 254 000	+ 159.93
Misc. coop. measures (Ch. 97 to 99)	67 500 000	0.19	75 700 000	0.20	+	8 200 000	+ 12.15
Total 5	1 264 221 800	3.49	1 221 770 000	3.21	-	42 451 800	- 3.36
6. Staff and administration							
Section III A	1 047 926 425	2.89	1 163 812 805	3.06	+	115 886 380	+ 11.06
Sections I, II, IV and V	555 266 888	1.53	602 044 810	1.58	+	46 777 922	+ 8.42
Total 6	1 603 193 313	4.42	1 765 857 615	4.64	+	162 664 302	+ 10.15
Grand total	36 266 519 740	100.00	38 053 804 944	100.00	+	1 787 285 204	+ 4.93

¹ Including supplementary and amending budget No 1/86.

Table 18 — *Community expenditure by sector — Total expenditure*
(Appropriations for payments)

(in ECU)

	1986 budget ¹		1987 preliminary draft		Change (3:1)	
	Amount (1)	% (2)	Amount (3)	% (4)	Amount (5)	% (6)
1. Agricultural market guarantees						
EAGGF Guarantee (Ch. 10 to 29)	21 927 254 929	62.43	22 960 800 000	62.60	+ 1 033 545 071	+ 4.71
Total 1	21 927 254 929	62.43	22 960 800 000	62.60	+ 1 033 545 071	+ 4.71
2. Structural policies						
EAGGF Guidance (Ch. 30 to 33)	838 708 260	2.39	895 000 000	2.44	+ 56 291 740	+ 6.71
Specific agric. measures (Ch. 38)	66 097 818	0.19	71 182 000	0.19	+ 5 084 182	+ 7.69
Fisheries (Ch. 40 to 47)	192 124 654	0.55	221 000 000	0.60	+ 28 785 346	+ 15.03
Regional Fund (Ch. 50 and 51)	2 373 000 000	6.76	2 495 000 000	6.80	+ 122 000 000	+ 5.14
Mediterranean programmes (Ch. 55)	133 000 000	0.38	240 000 000	0.65	+ 107 000 000	+ 80.45
Misc. reg. measures (Ch. 54 and 57)	44 876 500	0.13	35 771 000	0.10	- 9 105 500	- 20.29
Transport (Ch. 58)	57 840 000	0.16	34 000 000	0.09	- 23 840 000	- 41.22
Social Fund (Ch. 60 and 61)	2 533 000 000	7.21	2 589 000 000	7.06	+ 56 000 000	+ 2.21
Misc. social measures (Ch. 64, 65 and 69)	63 050 463	0.18	68 894 720	0.19	+ 5 844 257	+ 9.27
Education and culture (Ch. 63 and 67)	36 454 125	0.10	80 661 000	0.22	+ 44 206 875	+ 121.27
Environment and consumers (Ch. 66)	21 750 325	0.06	35 105 000	0.10	+ 13 354 675	+ 61.40
Total 2	6 359 902 145	18.11	6 765 613 720	18.45	+ 405 711 575	+ 6.38
3. Research, energy and industry						
Energy (Ch. 70 and 71)	45 920 000	0.13	87 640 000	0.24	+ 41 720 000	+ 90.85
Research and investment (Ch. 73 and 78)	628 656 250	1.79	822 000 000	2.24	+ 193 343 750	+ 30.76
Information and innovation (Ch. 75)	18 786 250	0.05	25 000 000	0.07	+ 6 213 750	+ 33.07
Indust. and intern. market (Ch. 77 and 79)	65 438 500	0.19	120 000 000	0.33	+ 54 671 500	+ 83.55
Total 3	758 801 000	2.16	1 054 750 000	2.88	+ 295 949 000	+ 39.00

4. Repayments and reserve								
Repayments to the Member States (Ch. 80)	1 239 920 000	3.53	1 305 860 000	3.56	+	65 940 000	+	5.32
Misc. guarantees (Ch. 83 to 85)	p.m.	—	p.m.	—		—		—
VAT/GNP refunds (Ch. 86)	1 809 081 437	5.15	1 279 000 274	3.49	-	530 081 163	-	29.30
1984 advances (Ch. 87)	250 854 655	0.71	250 854 655	0.68		—		—
Reserve (Ch. 101)	5 000 000	0.01	35 000 000	0.10	+	30 000 000	+	600.00
Total 4	3 304 856 092	9.41	2 870 714 929	7.83	-	434 141 163	-	13.14
5. Development cooperation and non-member countries								
EDF (Ch. 90 and 91)	p.m.	—	p.m.	—		—		—
Food aid (Ch. 92)	553 277 100	1.58	620 400 000	1.69	+	67 122 900	+	12.13
Cooperation with Latin American and Asian developing countries (Ch. 93)	223 495 250	0.64	289 020 000	0.79	+	65 524 750	+	29.32
Spec. and excep. measures (Ch. 94 and 95)	89 235 050	0.25	112 550 000	0.31	+	23 314 950	+	26.13
Cooperation with Mediterranean countries (Ch. 96)	238 035 800	0.68	162 000 000	0.44	-	76 035 800	-	31.94
Misc. coop. measures (Ch. 97 to 99)	67 500 000	0.19	75 700 000	0.21	+	8 200 000	+	12.15
Total 5	1 171 543 200	3.34	1 259 670 000	3.43	+	88 126 800	+	7.52
6. Staff and administration								
Section III A	1 047 926 425	2.98	1 163 812 805	3.17	+	115 886 380	+	11.06
Sections I, II, IV and V	555 266 888	1.58	602 044 810	1.64	+	46 777 922	+	8.42
Total 6	1 603 193 313	4.56	1 765 857 615	4.81	+	162 664 302	+	10.15
Grand total	36 125 550 679	100.00	36 677 406 264	100.00	+	1 551 855 585	+	4.42

¹ Including supplementary and amending budget No 1/86.

the reference framework for 1987 on the basis of the information provided by the Commission.¹

Discussion of the budgetary situation was based on the Commission's communication on the financial perspective 1987-90 (→ points 1.1.2 to 1.1.7), the report by the chairman of the Economic Policy Committee on this perspective and the Commission report on structural measures in 1986 (→ points 1.1.8 to 1.1.10).

The Council invited the Commission to take into account the positions adopted by the Member States when drawing up its preliminary draft supplementary and amending budget for 1986.

During a detailed discussion of budgetary discipline and actual financial requirements in 1986 and 1987, the Commission stated that a supplementary budget was needed for 1986 and explained why actual requirements already exhausted the new own resources limit in 1986: the reasons are the fall in the US dollar, the need to remedy the situation as regards agricultural stocks and the cost of the past (non-compulsory expenditure under the structural Funds) and enlargement.

The Council's work on the reference framework began with an exchange of views with a Parliament delegation consisting of the President, Mr Pflimlin, and several members of the Committee on Budgets. Parliament's representatives stressed the need for an agreement between the institutions on a common notion and method of budgetary discipline.² In the absence of any such agreement and in view of the current uncertainty about the basic figures (1986), they stated that they were unable to discuss the reference framework for 1987 at this stage.

After this meeting the Council laid down the following figures as the reference framework for 1987:

	Million ECU	
	Commitments	Payments
EAGGF Guarantee (maximum expenditure)	22 961	22 961
Non-compulsory expenditure	10 162	7 950
Compulsory expenditure (other than EAGGF Guarantee)	4 304	4 393
Total	37 427	35 304

Budget discharge

2.3.7. At its April part-session Parliament, at the Council's recommendation,³ granted the Commission a discharge in respect of the implementation of the budget in 1984 (general budget and fourth and fifth EDFs). Parliament's decision was accompanied by a resolution⁴ containing various comments designed to improve the future management of Community resources. The Commission's reaction to most of Parliament's suggestions was generally favourable.

Pending a study on the state of the ECSC's reserves, the discharge in respect of the ECSC budget for 1984 was held over for a future part-session.

The decision concerning the discharge in respect of the implementation of Parliament's appropriations in 1984 was also held over to a future part-session to allow the Committee on Budgetary Control to finish its preparatory work.

Parliament, like the Council, also granted a discharge for 1984 to the Administrative Board of the European Foundation for the Improvement of Living and Working Con-

¹ Bull. EC 3-1986, point 2.3.3; COM(86) 245 final.

² Bull. EC 12-1984, point 1.3.1 *et seq.*

³ Bull. EC 3-1986, point 2.3.4.

⁴ OJ C 120, 20.5.1986.

ditions, Dublin, and the Management Board of the European Centre for the Development of Vocational Training, Berlin.

Financial operations

ECSC

Loans raised

2.3.8. In April the Commission made a number of private placings in US dollars, Luxembourg francs and Dutch guilders for the equivalent of 31.4 million ECU.

Loans paid out

2.3.9. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission made the following loans in April, totalling 95.73 million ECU.

Industrial loans

2.3.10. Industrial loans (Article 54) paid out during the month amounted to 20.89 million ECU. They went to the following firms:

Federal Republic of Germany

Consumption of Community coal:

Westdeutsche Landesbank — Girozentrale, Düsseldorf
Deutsche Bank AG, Düsseldorf
Westdeutsche Genossenschafts-Zentralbank, Münster

Italy

Nuova Italsider SpA, Naples: continuous casting and roughing

Conversion loans

2.3.11. Conversion loans (Article 56) totalled 72.85 million ECU and were granted as multiregional loans for small businesses (66.80 million ECU) and in the form of a direct loan to the United Kingdom (6.06 million ECU).

Subsidized housing

2.3.12. Loans for subsidized housing for ECSC workers totalled 1.991 million ECU.

Euratom

Loans raised

2.3.13. The Commission made a private placing in Luxembourg francs for the equivalent of 11.5 million ECU.

4. Political and institutional matters

European political cooperation

2.4.1. On three occasions in April the Foreign Ministers discussed international terrorism and the crisis in the Mediterranean.

2.4.2. At an extraordinary meeting held in The Hague on 14 April, they adopted the following statement:

'1. The Twelve are gravely concerned by the increased tension in the Mediterranean created by the recent acts of terrorism. They met today to concert common action against this scourge.

2. They consider that States clearly implicated in supporting terrorism should be induced to renounce such support and to respect the rules of international law. They call upon Libya to act accordingly.

3. The Twelve are convinced that terrorist attacks do not serve whatever political cause the perpetrators claim to be furthering. Outrages like the ones recently perpetrated on the TWA aircraft and in a discotheque in Berlin can never be justified. The Twelve vigorously condemn these outrages, deeply deplore the loss of innocent life involved and express their sympathy with the victims and their families.

4. They also reject the unacceptable threats made by Libyan leaders against Member States, which deliberately encourage recourse to acts of violence and directly threaten Europe. Any action of this sort will meet with a vigorous and appropriate response on the part of the Twelve.

5. The Twelve have decided to act according to the following lines regarding Libya and, where necessary, regarding other States clearly implicated in supporting terrorism:

(i) restrictions on the freedom of movement of diplomatic and consular personnel;

(ii) reduction of the staff of diplomatic and consular missions;

(iii) stricter visa requirements and procedures.

6. In conformity with their declaration of 27 January 1986¹ they reaffirm that no arms or other military equipment will be exported to Libya. They will continue to do everything within their power in order to ensure that their nationals and industry do not seek any commercial advantage from measures in reaction to terrorist attacks and other terrorist activities. They reserve the right to consider whether further measures may need to be taken.

No country which lends support to terrorism can expect to maintain normal relations with them.

7. They have instructed the experts concerned immediately to identify appropriate measures to be taken by the Twelve, in particular, security measures, the application of international conventions on diplomatic and consular privileges and immunities and the safety of civil aviation. The experts' report will be considered at the ministerial meeting to be held next week.

8. The Twelve are increasing their cooperation with other States in the field of intelligence, the improvement of security measures and, generally, to prevent acts of terrorism.

9. In order to contribute to eliminating international terrorism, the Twelve will use their joint influence in contacts with Libya and, where necessary, with other States concerned.

10. They have decided to inform the Arab States and the League of Arab States about their conclusions and to invite them to analyse jointly and urgently the issue of international terrorism.

11. Finally and in order to enable the achievement of a political solution, avoiding further escalation of military tension in the region with all the inherent dangers, the Twelve underline the need for restraint on all sides.'

2.4.3. The Twelve held a further extraordinary meeting in Paris on 17 April at the end of which Mr van den Broek, the Foreign Minister of the Netherlands, reported to the press on the conclusions they had reached:

(i) The Twelve stood by their statement of 14 April. They would meet again, for a regular session, in Luxembourg on 21 April to take concrete measures as announced in that statement.

(ii) The Twelve reaffirmed their belief in a political solution and their desire to avoid any escalation. They would take diplomatic action in support of their view. At the 14 April meeting no minister had been aware of the American decision to launch an attack that night.

(iii) Before the meeting on 21 April the Presidency would engage in further contacts with the United States, the Arab countries,

¹ Bull. EC 1-1986, point 2.4.1.

the Warsaw Pact countries and the non-aligned countries to seek agreement on joint efforts to combat terrorism. In its contacts with the Arab countries the Presidency would indicate the Twelve's awareness that terrorism originating in the Middle East had its roots in the political problems of the region.

2.4.4. The matter was discussed again at the regular political cooperation meeting in Luxembourg on 21 April (which also dealt briefly with the situation in South Africa, in Central America and in the Middle East).

At the end of the meeting, Mr van den Broek announced that the ministers had taken a number of measures concerning Libya, some of which involved implementation of the decisions taken on 14 April while others were new.

Measures decided on 14 April

- (i) Reduction in the staff of Libya's diplomatic and consular missions in the Member States to a level not exceeding that of the missions of the Member States in Libya.
- (ii) Restrictions on the movement of Libyan diplomatic and consular staff.
- (iii) Tighter visa requirements.

New measures

- (i) Staff of Member States' missions in Libya to be reduced to the level strictly necessary to conduct relations.
- (ii) Libya's non-diplomatic missions in Member States to be considered with a view to the possible imposition of restrictions similar to those agreed on 14 April.
- (iii) Libyans expelled from one Member State under suspicion of terrorism to be refused entry to any other Member State.
- (iv) Abuse of diplomatic privileges and immunities to be kept under review.

The Presidency would continue the diplomatic contacts agreed on at the meetings of 14 and 17 April (Arab and Islamic countries and organizations, non-aligned movement,

Warsaw Pact countries) and with the United States.

In particular, the Presidency would contact the Libyan authorities at diplomatic level to draw their attention to the measures taken by the Twelve and would report any reaction.

2.4.5. On 8 April the Presidency published the following communiqué on the use of chemical weapons in the Iran-Iraq war:

'1. The 12 Member States of the European Community recall the earlier report of the Secretary-General of the United Nations to the effect that in the war between Iraq and Iran chemical weapons had been used. The Twelve have condemned without qualification any use of chemical weapons and they expressed the earnest hope that they would not be used again in this or any other conflict. However, the recent report of the mission of specialists dispatched by the Secretary-General (S/17911) concludes that chemical weapons on many occasions have been used by Iraqi forces against Iranian forces, most recently in the course of the present Iranian offensive into Iraqi territory.

2. The Twelve have taken note of this report with great concern. Accordingly they emphasized the importance of the declaration of the Security Council of the United Nations of 21 March 1986, and they strongly condemn the use of chemical weapons mentioned therein. They reiterate that they attach the greatest importance to the strict compliance with the provisions of the Geneva Protocol of 1925.

3. The Twelve remain convinced that every effort should be made to work out a worldwide treaty that will completely ban chemical weapons, as this is the only effective long-term solution.

4. The Twelve are deeply concerned about the extended conflict between Iraq and Iran. They make reference to their declaration of 25 February,¹ calling once more upon the two sides to respect the territorial integrity of all States and stressing the urgent need for both countries to strenuously work for an early peaceful settlement of the conflict on the basis of Security Council resolution 582.'

2.4.6. On 15 April the Presidency issued the following statement by the Twelve on the meeting of experts on human contacts held in Berne as part of the follow-up to the

¹ Bull. EC 2-1986, point 2.4.7.

Conference on Security and Cooperation in Europe.

'The 12 Member States of the European Community attach great importance to the expert meeting on human contacts, which is taking place in Berne within the framework of CSCE.

The aim of the Helsinki process is to enhance security and cooperation in Europe by building confidence between the participating States and between their peoples on the basis of mutual understanding thus leading to the development of better relations.

Human contacts, solution of humanitarian problems, facilitating the freer movement of people and promoting contacts between peoples and individuals are an integral part of this process and an essential element for the building of confidence between the 35 participating States.

The Twelve therefore emphasize that full advantage must be taken of the opportunity offered by the Berne meeting for concrete improvements on the basis of the provisions of the Final Act and the Madrid Concluding Document. Effective results at the Berne meeting and real progress in the field of human contacts would meet the concerns of so many people involved and thus would make a vital contribution to balanced progress in the CSCE process.'

2.4.7. On 17 April Parliament adopted resolutions on the conflict between Libya and the United States, tension in the Mediterranean and international terrorism (→ point 2.4.14).¹

European policy and relations between the institutions

2.4.8. On 17 April Parliament adopted a resolution stating that it had decided to exploit to the full the opportunities afforded by the Single European Act, even though the Act did not bring into being the European Union called for both by Parliament and by the Heads of State or Government (→ point 2.4.13).¹

Institutions and organs of the Communities

Parliament²

Strasbourg: 14 to 18 April

2.4.9. During its April part-session Parliament considered a number of highly political issues to which it devoted lengthy debates: agricultural prices, discharges for 1984, the budgetary situation and guidelines, and preparations for the Tokyo Economic Summit. Though the international headlines—namely the American raid on Libya—were the focus of Parliament's attention, the House nevertheless took a close look at the Commission's farm price proposals.

Agricultural prices for 1986/87: Parliament changes course

2.4.10. The vote in Parliament on the 1986/87 farm prices was something of a surprise in that the House, for the first time ever, went against the predominant trend within its Committee on Agriculture and, albeit with some major qualifications, fell in with the Commission's austere line on prices,³ inspired by the costly accumulation of stocks.

Traditionally, Parliament has always fought for price increases bigger than those proposed by the Commission in order to safeguard farmers' incomes. But this year it broke dramatically with tradition when it adopted by a large majority the report by Mr James Provan (*ED/UK*) after making

¹ OJ C 120, 20.5.1986.

² The complete texts of the resolutions adopted by Parliament are reproduced in OJ C 120, 20.5.1986, and the report of the proceedings is contained in OJ Annex 2-338. The political groups and nationalities of members speaking in the debates are shown in brackets after their names; the key to the abbreviations can be found in Bull. EC 7/8-1984, points 1.2.5 and 2.4.8 (footnote 1).

³ OJ C 53, 7.3.1986; OJ C 85, 14.4.1986; Bull. EC 2-1986, point 1.3.1 *et seq.* and 2.1.107.

substantial amendments to bring it closer to the Commission's restrictive approach. An approach based on thinking that may be summarized thus: surpluses are mounting in many sectors—milk products, cereals, beef and veal—while disposing of them is growing ever more difficult and expensive. The result is an unwarranted squandering of resources and an increased strain on relations with non-member countries, especially with the United States.

All this prompted the Commission, and subsequently Parliament, to call into question the limitless guarantees, which had divorced farmers from markets, and guide prices set at high levels on social grounds. Against the opinion of its own Committee on Agriculture, which was up in arms over the freeze on farm prices, Parliament sided with the Commission, but with one major reservation: the Commission had failed to coordinate its price proposals with the structural plans (→ points 1.3.1 *et seq.*) and the stock disposal measures it had announced.

Having said that, Parliament—in the very first recital in the preamble to its resolution!—reaffirmed 'the principle, recognized by both Commission and Council, that agricultural expenditure must increase at a slower rate than the own resources of the Parliament', and even censured the Commission for not being sufficiently restrictive in its expenditure proposals.

With regard to trade relations, the mention of 'Community preference'—one of the pillars of the CAP—all but disappeared from the final text adopted by Parliament. On the matter of structures the House confirmed the position taken when it adopted the report by Mr Roelants du Vivier (*Rainbow/B*),¹ insisting as well that the price proposals reflect the concern to protect and enhance the environment. Finally, in its product-by-product analysis, Parliament accepted the Commission's hard line on 'northern' products but rejected it in respect of 'Mediterranean' products, to which the Community had not hitherto given the same generous support.

2.4.11. Mr James Provan (*ED/UK*), rapporteur for the Committee on Agriculture, whose amended report totally rejected the Commission's proposals, first highlighted the common ground between the proposals and the Committee's position: the surpluses cannot continue; there must, if necessary, be limits to intervention. One evident source of displeasure, however, was the Commission's failure to present the promised structural measures (→ point 1.3.1 *et seq.*) in time.

In his speech for the Commission Mr Frans Andriessen, Vice-President with special responsibility for agriculture, found a measure of satisfaction with the Provan report and the reactions of the farming community. He also promised a Community riposte if the United States took the threatened retaliatory measures against the consequences of enlargement. As regards the new negative compensatory amounts, Mr Andriessen did not say exactly how and by what date these might be dismantled.

Although the rapporteur of the Committee on Agriculture appeared perhaps more satisfied with the Commission's proposals than with his Committee's amended report—on which he later abstained—the Committee on Budgets, in the person of Mr John Tomlinson (*Soc/UK*), took issue not only with the Committee on Agriculture's view but also with the Commission's proposals, contending that they did not conform to the budgetary discipline rules which demanded a smaller increase in agricultural spending than in own resources. Speaking for the Committee on the Environment and the Committee on External Economic Relations respectively, Mr Meinolf Mertens (*EPP/D*) and Dame Shelagh Roberts (*ED/UK*) took positions also at variance with that of the Committee on Agriculture. The Committee on the Environment was in favour of a reduction in certain farm prices to be backed by measures for the benefit of the small farmer. The Committee on External Economic Relations held that the Commit-

¹ OJ C 68, 24.3.1986; Bull. EC 2—1986, point 2.4.17.

tee on Agriculture was ignoring the changes on the world market, where it was getting harder and harder to export. India, China and Indonesia, for example, were now self-sufficient in cereals.

The reactions of the political groups were no less contrasted than the stances of the committees. For the Socialists, Mr Eisso Woltjer (NL) complained that Parliament had not been given the possibility of judging the structural proposals, and he summed up the whole agricultural policy as follows—too much money to finance unsalable surplus stocks, too little to sustain the small farmers in the less-favoured regions. Condemning Germany's strategy of introducing its own measures for the German farmers—which was making for renationalization of the CAP at the expense of the poorest Member States—Mr Woltjer proposed the negotiation of an exchange deal within GATT: a cut in cereal exports by the Community for a cut in imports of cereal substitutes. For the EPP group, Mr Nino Pisoni (I) endorsed the report by the Committee on Agriculture, contending that the Commission's proposals were particularly hard on southern farmers. On the same grounds, Mr Natalino Gatti (Com/I) rejected the Commission proposals and deplored the fact that the Commission had not presented its plans concerning structures. Mr Richard Simmonds (ED/UK) was in favour of quotas but against the coresponsibility levies, while Mr Vasco Garcia (Lib/P) argued for better quality and protection for the family farm.

Mr Jean Mouchel (EDA/F) hit out at those who were using budgetary constraints as an excuse to renationalize the CAP and throw farmers out of work. He wanted to see a return to Community preference and, rather than outright condemnation of surpluses, more incentives to produce what was in short supply; it was all very well complaining about butter stocks, but it would make more sense to put a stop to the derogations from Community preference: imports of New Zealand butter, no regulations on oils and fats. Drawing a different conclusion, Mr Friedrich Graefe zu Baringdorf (Rainbow/D) found that the CAP had helped the

growth of the big farms and suggested that price increases and levies be matched to the size of holdings. Finally, on behalf of the European Right, Mr Michel Collinot (F) rejected both the Commission's proposals—accusing the Commission of caving in to the American programme for winning back world markets—and the Provan report, which he called a dead-end statement devoid of any solutions.

Many other speakers were still to come. Mr Antonio Navarro (ED/E) said he was against any coresponsibility levy and called for an increase in the funds allocated to the EAGGF Guidance Section. Mr Pierre-Benjamin Pranchère (Com/F) reiterated his view that the CAP ought not to be simply an offshoot of budgetary policy.¹ Declaring that she stood by the principles of the CAP and Community preference, Mrs Simone Martin (Lib/F) said that the savings accruing from the necessary changes to the CAP must enable the Community to attend to underproduction and to find new outlets, especially in industry. Mr Jean-Claude Pasty (EDA/F) felt that the CAP must, in the words of Article 39 of the Treaty, 'ensure a fair standard of living for the agricultural community'. It must also serve to affirm the Community's agricultural role as the world's second biggest exporter of foodstuffs. To surrender to the United States a near monopoly of exports of the major food commodities, such as cereals or oleaginous products, would be a betrayal not only of the Community farmers who had risen to the challenge and improved their competitiveness, but also of the buyer countries, which would thus be exposed to enormous political pressures. Mr James Elles (ED/UK) had other concerns: while approving the Commission's proposed price freeze and stock disposal measures, he called for conversion of arable land to other uses, hoping that this measure would take not only marginal but also top-grade land out of production. Mr Guy Guermeur (EDA/F) declared that the financial arguments used as reasons for changing the CAP were pure

¹ OJ C 94, 15.4.1985; Bull. EC 3-1985, point 2.4.9.

claptrap. Budgetary asphyxia was being used as a weapon to destroy the CAP and a means of renationalizing agriculture. He also attacked the Germans, who, having achieved their aim of free trade for their industrial products, were now striving for this renationalization: now that they'd pocketed their winnings, they weren't playing any more!

Mr Emmanuel Maffre-Baugé (*Com/F*) identified as one of the causes of the CAP's problems the extravagant concessions granted without *quid pro quo* to certain non-member countries, all at the expense of agriculture. The last word perhaps came from Mr Michel Debatisse (*EPP/F*), who rejected the price freeze of the last three years on two counts: the first, sectoral and immediate, was the risk that the farmers would turn their backs on Europe; the second, general and more long-term, was that in future nobody would accept the transfer of sovereignty for other policies.

Mr Gerrit Braks, the Council President, pointed out that in principle there was virtually no opposition in the Council to a co-responsibility levy for cereals and a reduction in milk quotas. He believed that supplementary appropriations for stock clearance would be easier to obtain if guarantees were given that stocks would not be built up again afterwards. In conclusion, he acknowledged that farming incomes would either fall or simply mark time until the situation was improved, a prerequisite for the CAP's survival.

Before the division in the House, Commission Vice-President Andriessen replied to many of the points raised in the debate, mainly on the social and structural measures, farmers' income levels in the context of Article 39 of the Treaty, Commission policy on stock clearance and the budgetary implications of the Community's export policy. He went on to comment on remarks made about specific sectors, including cereals, beef/veal and milk products.

At the end of the debate Parliament adopted the Provan report, with the various amendments, by 182 votes to 151 and 12 absten-

tions, thus demonstrating its endorsement of the Commission's proposals for a price freeze and production cuts for products in surplus, namely beef/veal, cereals and milk products. The amendments adopted included one by the European Democrats on cereals insisting that the intervention ceiling be wedded to limits on export refunds; one by Mrs Barbara Castle (*Soc/UK*) which deleted the reference to greater respect for Community preference in order to achieve balance on the milk products market; one by Mr Natalino Gatti (*Com/I*), Mr Vincenzo Mattina (*Soc/I*) and Mr Eisso Woltjer (*Soc/NL*) urging the gradual elimination of all State aids.

It was mainly the nationality variable which determined the result of the vote. The votes of the Spanish members (39 for, 4 against and 1 abstention) were clearly decisive: without them the majority would have gone the other way. Generally speaking, the Italian, Spanish, Portuguese and Greek members, more concerned by Mediterranean than by northern products, largely supported the report: 83 for, 36 against. The stock are mainly in the north! A further decisive point was the percentage of voters by nationality, in that 73 British (90%) and 44 Spanish (73%) members voted as against only 35 French (43%). It sometimes takes just a little logic to explain what appears surprising.

The detailed breakdown of the vote is as follows:

By political group

	For	Against	Abstentions
Soc	94	29	2
EPP	8	70	3
ED	48	—	—
Com	20	11	—
Lib	11	5	5
EDA	—	24	—
Rainbow	—	10	2
ER	—	2	—
NA	1	—	—

By nationality

	For	Against	Abstentions
Belgium	1	13	1
Denmark	4	2	4
Germany	25	38	—
Greece	10	9	2
Spain	39	4	1
France	12 (Soc)	21	2 (Lib)
Ireland	—	12	—
Italy	25	15	2
Luxembourg	1	2	—
Netherlands	15	3	—
Portugal	12	8	—
United Kingdom	38	24	11

Earlier, during the explanations of vote, Mr Eisso Woltjer (Soc/NL) said he supported the amended Provan report, in which he could at last detect a way of countering surplus production. For the European Democrats Mr Richard Simmonds (UK) was also glad that Parliament was putting for the first time a sensible package of proposals to the Council and the Commission. In contrast, Mr Nino Pisoni (I), for the EPP group, called the report scandalous from the farmers' point of view because it swept away the principle of Community preference, urged cuts in milk quotas and yet approved continuing imports from New Zealand. Sadness and shame were also the feelings of Mr François Musso (EDA/F) before the attitude of the majority of the House, which, he added, was denying the farmers a decent income, violating the Treaty of Rome, spurning Community preference and the adjustment of prices and thus making for a renationalized CAP. Lastly, Mr Friedrich Greafe zu Baringdorf (Rainbow/D) rejected the report because it made no attempt to identify the source of surpluses. For 80% of farmers, prices were not high enough for them to survive.

2.4.12. Parliament gave opinions on the following Commission proposals and communication:

(i) a Directive on the approximation of the laws of the Member States relating to

infant formulae and follow-up milks (→ point 2.1.13);

(ii) Regulations on customs warehouses and on free zones and free warehouses (→ point 2.1.43);

(iii) an amendment to the Council Regulation of 19 May 1981 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs or agricultural matters (→ point 2.1.41);

(iv) a Directive defining the principles of good laboratory practice and the verification of their application for tests on chemical substances (→ point 2.1.96);

(v) a Directive on limit values and quality objectives for discharges of certain dangerous substances into the aquatic environment (→ point 2.1.94);

(vi) a resolution concerning consumer education in primary and secondary schools (→ point 2.1.103);

(vii) a Directive concerning the examination of animals and fresh meat for the presence of residues (→ point 2.1.133);

(viii) guidelines for future economic cooperation with the Mediterranean countries (→ point 2.2.21);

(ix) a Regulation on implementing a special programme to combat hunger in the world.¹

2.4.13. Resolutions were passed on the following subjects.

The disturbance of the ecological balance in Botswana. Parliament expressed its concern over the dangers of disturbing this environment and approved the Commission's proposals to provide greater protection for the environment and wildlife in Botswana, with special reference to the Kalahari Reserve, the Gemsbok National Park and certain species threatened with extinction, such as the rhinoceros and the elephant.

¹ OJ C 349, 31.12.1985; Bull. EC 12-1985, point 2.3.44.

The effects of the common agricultural policy on the socio-economic situation of the regions. Although it accepted that the CAP had not only ensured a stable supply of food at reasonable prices but had also contributed significantly to sustaining economic activity in many of the least-favoured areas of the Community which were heavily dependent on agriculture, Parliament nevertheless believed that the policy had to be adjusted in order to bring supply more closely into line with both domestic and international demand. But the Council and the Commission were called upon to ensure that any reform of the CAP provided adequate incomes for farmers and did not bear unduly on the least-favoured parts of the Community, so as to sustain the population in these (largely Mediterranean) regions and hill-farming areas. In this connection Parliament highlighted the danger of 'renationalization' of the CAP by the richer Member States, which, by subsidizing their agriculture, caused discrimination and distortion of competition, thus worsening the position of the least-prosperous regions in other Member States.

Serious cases of adulterated wines in Italy. Deeply angered by the serious and criminal cases involving wine adulterated by the addition of methanol, which had caused 21 deaths, Parliament called on the Member States to introduce a system of controls to guarantee effective consumer protection and the free movement of products within the Community. Parliament also urged them, and the Commission, to do all in their power to remove the suspect products from the market. Finally, the House repeated its request¹ concerning the establishment of a genuine Community authority to stamp out fraud.

Integrated transport centres. Convinced of the need — on economic and ecological grounds — to strengthen the trend towards combined transport, Parliament urged the Commission to promote the development of such centres, particularly by extending the measures laid down in the CADDIA project² to include such centres and by facilitating the computerized handling of

the 'single document'³ in order to ensure closer integration on Community territory between the road, rail, inland, waterway, air and sea transport networks.

US threats to impose trade restrictions on Community agricultural products. Parliament unanimously condemned the unilateral American measures and urged the United States to engage in the bilateral talks offered by the Community. The House also criticized the American practice of making public threats solely to satisfy certain pressure groups and sectors of public opinion.

The Western Economic Summit in Tokyo and the next GATT round. Parliament exposed the dangers of protectionism in four resolutions, in which it expressed the hope that the Community would deliver a clear message to Japan and the United States, both at the Summit and during the next GATT round, on the opening up of markets and a warning against the development of a trade war.

The present budgetary situation of the Community. Reaffirming that it was incumbent upon the budgetary authority to provide the appropriations necessary to cover all commitments legally entered into, Parliament asked the Council to provide the additional amounts needed for the expenditure of the structural Funds and the CAP and to take a position on a medium-term solution to the 'cost of the past' and on the financial consequences of the various multiannual programmes and of other decisions for the development of new policies. The House also renewed its criticism of the mechanical and rigid nature of so-called 'budgetary discipline' which aggravates the difficulties by disregarding legally binding financial commitments.

The guidelines for the Community's budgetary policy for 1987. Parliament first defined the priorities for action within the Community: the fight against unemploy-

¹ OJ C 334, 20.12.1982; Bull. EC 11-1982, point 2.4.6.

² OJ L 96, 3.4.1985; Bull. EC 3-1985, point 2.1.23.

³ OJ L 79, 21.3.1985; Bull. EC 2-1985, point 2.1.25; OJ L 274, 15.10.1985; Bull. EC 9-1985, point 2.1.32.

ment, regional solidarity and promotion of the new technologies. On the basis, it called upon the Council to shoulder its political responsibilities and present, even at the first reading, a coherent budget as the instrument of a strategy which would allow commitments legally entered into ('cost of the past') to be honoured. Parliament therefore asked the Council to treat it on an equal footing, notably by not discriminating between compulsory and non-compulsory expenditure.

European Union and the Single Act. Although the Single European Act did not bring into being the European Union called for both by Parliament and by the Heads of State or Government, the House declared that it would exploit to the full the possibilities afforded by the Single Act.

Budget discharge. In accordance with its budgetary powers Parliament adopted, on 18 April, a number of Decisions (→ point 2.3.7) and one resolution¹ winding up discharge procedures involving Community institutions and organs (general budget, EDF, Berlin Vocational Training Centre, Dublin European Foundation) for 1984. It decided, however, to defer the discharge in respect of the ECSC accounts for 1984 and of its own accounts for 1984, in the first case until it had the opportunity of examining the Commission's study on the reserves and in the second to allow its Committee on Budgetary Control to finish preparing the discharge decision.

2.4.14. In the fields of political cooperation and human rights, Parliament passed the following resolutions.

The conflict between Libya and the United States and the tension in the Mediterranean. In two resolutions Parliament reacted in almost identical terms to the American attitude. In the first, tabled by the Socialists, it condemned the American raid on Libya 'as a flagrant violation of international law, as a dangerous escalation of the use of force in the Mediterranean region and as a danger to international security and peace.' In the second, tabled by the European Right and

completely changed by Socialist amendments, Parliament considered the American action 'as an inappropriate and unsuitable means of stemming the tide of terrorism and punishing the guilty parties', because it signified 'a complete disregard for European demands and interests as expressed in the declaration made on 14 April 1986 by the Foreign Ministers meeting in the framework of political cooperation' (→ point 2.4.2). Parliament also called on the Foreign Ministers to 'question the credibility of the attitude of the British Government which, on the one hand, endorsed through its Foreign Minister the EEC demand that priority be given to a political solution and, on the other, gave permission for the use of American bases on British territory for unilateral American military action'.

It called on the Governments of the Twelve to implement without delay the measures to combat international terrorism agreed in The Hague.

International terrorism. After noting the recent terrorist attacks and murders committed in Europe, Parliament condemned the reprisal bombing of Libyan targets by the United States. It called on the entire civilized world to take even more stringent countermeasures to combat terrorism; the terrorists' political masters and the ring-leaders and organizers of terrorism must be exposed and denounced, and the criminals themselves tracked down and punished.

Council

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

¹ OJ C 120, 20.5.1986.

Table 19 — Council meetings in April

Number, place and date of meeting	Subject	President	Commission	Main items of business
1072nd Luxembourg 8 April	Research	Mr van Aardenne	Mr Narjes	Conciliation with Parliament on R&D programmes on materials (raw materials and advanced materials, 1986-89) and environment (1986-90) ¹ Framework programme 1987-91 ¹ Joint Research Centre ¹ Mid-term review of Esprit programme ¹ Amendment of the CCT in respect of certain electronic products ²
1073rd Luxembourg 17 April	Development cooperation	Mrs Schoo	Mr Natali	Quest for food security in developing countries — Food aid policy and its implementation; food strategies; emergency food aid mechanism ³ Structural aspects of development in Africa — Rehabilitation and revival plan for African countries most affected by drought; conservation of natural resources — countering desertification ³ Preparation for special session of UN General Assembly on critical economic situation in Africa ⁴ Role of women in development: implementation of policies — experience of Member States and Commission: conclusions Promotion of developing countries' trade Programming of Community aid in ACP States under Lomé III
1074th	Cancelled			
1075th Luxembourg 21 and 22 April	Foreign affairs	Mr van den Broek	Mr Delors Mr Christophersen Mr Cheysson Mr De Clercq Mr Ripa di Meana	Relations with ACP States Western Economic Summit in Tokyo ² Relations with Turkey EEC-US relations ² Community budget and own resources ⁵ Accession of Communities to European Convention on Human Rights A people's Europe Mediterranean policy of enlarged Community Manioc

Commission

Number, place and date of meeting	Subject	President	Commission	Main items of business
1076th Luxembourg 21 to 25 April	Agriculture	Mr Braks	Mr Andriessen	Agricultural prices for 1986/87 ⁶ General rules for financing of intervention by EAGGF Guarantee Section Socio-structural measures ⁷ Improvement of efficiency of agricultural structures in Portugal ⁸ Imitation products in milk products sector
1077th Luxembourg 28 April	Economic and financial affairs	Mr Ruding	Mr Delors Mr Andriessen Mr Christophersen	1987 reference framework ⁵ Budgetary situation of Community ⁵ Western Economic Summit in Tokyo ² Japan: monetary and financial relations ²

¹ Research and technology.

² Industrialized countries.

³ Development.

⁴ Point 1.5.1 *et seq.*

⁵ Financing Community activities.

⁶ Point 1.4.1 *et seq.*

⁷ Point 1.3.1 *et seq.*

⁸ Agriculture.

Commission

Activities

2.4.16. The Commission devoted a substantial part of its deliberations to budgetary and agricultural matters.

Decisions, communications and proposals

2.4.17. The Commission adopted both the preliminary draft supplementary and amending budget for 1986 and the 1987 preliminary draft budget (→ point 1.2.1 *et seq.* and points 2.3.2 to 2.3.5), which remain within the current own resources ceiling (1.4% of VAT).

2.4.18. The Commission sent the Council a number of socio-structural measures (point 1.3.1 *et seq.*) to supplement the adjustments to the common organization of

markets already proposed as part of a general review of agricultural policy. It also adopted a discussion paper on the impact of the development of the biotechnologies on agricultural production conditions over the next few years (→ point 2.1.30) and approved an amended proposal for a Regulation on the designations used in the marketing of milk and milk products and a report on imitation milk and milk products (→ point 2.1.128).

New Social Fund guidelines were adopted — designed to bring about greater geographical concentration and introduce stricter selection criteria (→ point 2.1.64).

In a communication to the Council the Commission asked the Member States to move towards the creation of a genuine Community-wide telecommunications market by speeding up introduction of the integrated services digital network (→ point 2.1.27).

Finally, the Commission adopted an important communication on development

problems in Africa (→ point 1.5.1 *et seq.*) with the aim of establishing a common position for the Member States and the Community at the UN General Assembly's special session on Africa at the end of May.

Internal reorganization

2.4.19. The Commission decided to set up two new Directorates-General — DG XXI (Customs Union and Indirect Taxation), to be headed by Mr Rui Vilar (→ point 2.4.20), and DG XXII (Coordination of Structural Instruments). The new DG XXII is the former Service for the Coordination of Structural Instruments, set up in October 1985 with Mr K.O. Barlebo-Larsen as its Director-General.¹ The Commission also decided to merge the Information and Telecommunications Technologies Task Force with the Directorate-General for the Information Market and Innovation (DG XIII) to form the Directorate-General for Telecommunications, Information Industry and Innovation. Its Director-General is Mr Michel Carpentier.

Appointment of Directors-General

2.4.20. The Commission decided to appoint two new Spanish Directors-General and one Portuguese. Mr Eduardo Peña Abizanda will head the Directorate-General for Transport and Mr Eneko Landaburu that for Regional Policy. Mr Rui Vilar will be the first Director-General for the Customs Union and Indirect Taxation.

Eduardo Peña Abizanda

Married, three children.

Degree in economics from the University of Madrid.

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| 1957 | Entered diplomatic school. |
| 1962 | Commercial attaché, Spanish Embassy in Brussels. |
| 1964 | Head of Commercial Section, Spanish Embassy in Montevideo. |

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| 1965 | First Secretary. |
| 1967 | Head of Commercial Section and Secretary (Economic affairs), Spanish Embassy in Buenos Aires. |
| 1971 | Deputy Director-General, Multilateral Economic Relations, Ministry of Foreign Affairs. |
| 1972 | Counsellor. |
| 1972-75 | Deputy Director-General, Bilateral Economic Relations, Ministry of Foreign Affairs. |
| 1974 | Member of the Instituto de cultura hispánica. |
| 1975 | Technical Secretary-General, Ministry of Industry. |
| 1976 | Under Secretary, Ministry of Trade. |
| 1977 | Chairman, FOCOEX. |
| 1979 | Minister plenipotentiary (Third class). |
| 1979 | Ambassador to Mexico. |
| 1982 | Vice-Chairman, Instituto de cooperación iberoamericana. |
| 1983-85 | Consultant on international economic relations. |

Eneko Landaburu

Born 11 March 1948. Married, three children.

Diploma in general legal studies. Degree in law (business option). First year of doctorate in economics at the University of Paris X. Certificates in economics and capital markets from the Institut technique de banque.

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| 1971-73 | Executive in the administrative and financial section of Labaz SA, Paris (pharmaceuticals). |
| 1973-75 | Deputy manager of Belgian subsidiary of Labaz, Brussels. |

¹ Bull. EC 10-1985, point 2.5.36.

- 1975-79 In charge of studies programmes and conferences at the Centre européen d'étude et d'information sur les sociétés multinationales (CEEIM), Brussels.
- 1980 Socialist Member of Euzkadi Parliament (Spanish Basque Country).
- 1981-82 Adviser, Directorate-General for Latin America, Nestlé SA, Vevey, Switzerland.
- 1983-86 Director, Institut de recherche sur les multinationales, Geneva.

Rui Vilar

Born 17 May 1939. Married, three children. Degree in law from Coimbra University (1961)

- 1974 State Secretary for External Trade and Tourism.
- 1975 Minister for Economic Affairs.
- 1975-85 Deputy Governor, Bank of Portugal.
- 1976-78 Minister for Transport and Communication.
- 1976-78 Member of Parliament.
- 1978-79 Member of Conselho Nacional do Plano.
- 1978-85 Alternate Governor, International Monetary Fund.
- 1984 Chairman, Anglo-Portuguese Chamber of Commerce.
- 1985 Chairman, Banco Espírito Santo e Comercial de Lisboa.

Relations with workers' and employers' organizations

2.4.21. Two working parties were set up following the meeting between the Commission and representatives of workers' and employers' organization at Val Duchesse château (on the outskirts of Brussels) on 12 November 1985.¹

The working party on macroeconomics, whose task is to monitor the development

of employment and the economy and to examine in greater detail the questions raised in the Commission's report on the Community's cooperation strategy for growth and employment, held its first meeting on 24 March with Mr Alois Pfeiffer, Member of the Commission with special responsibility for economic affairs, in the chair. It discussed the organization of its work and examined the Commission document on the present situation and the prospects for the Community's economies in view of recent developments on the oil markets.

The working party on new technologies and social dialogue, which is responsible for examining the possibility of a common policy on dialogue within industry on the introduction of new technologies, held its first meeting on 25 March with Mr Manuel Marín, Vice-President of the Commission with special responsibility for employment, social affairs and education, in the chair. It held a discussion on the basis of a Commission staff paper on the social dialogue and the introduction of new technologies.

Court of Justice

Analysis of judgments delivered between 1 January and 31 March 1986

Free movement of goods

2.4.22. In *Conegate v HM Customs and Excise*² the Court was again called upon to consider the compatibility of the restrictions on the importation of obscene and indecent articles into the United Kingdom with the rules on the free movement of goods.³

While confirming that it is in principle for each Member State to determine in accord-

¹ Bull. EC 11-1985, point 2.5.15.

² Case 121/85.

³ The Court had considered this matter in another request for a preliminary ruling from the United Kingdom in Case 34/79 *Regina v Henn and Darby* (1979).

ance with its own scale of values and in the form selected by it the requirements of public morality in its territory, the Court considered that a prohibition on imports of such goods cannot be justified under Article 36 of the EEC Treaty where the Member State does not adopt, with respect to the same goods manufactured or marketed within its own territory, penal measures or other serious and effective measures intended to prevent the distribution of such goods in its territory.

This case is perhaps more important for the answer given to a subsidiary question relating to the interpretation of Article 234 of the Treaty, which provides that the rights and obligations arising from agreements concluded before the entry into force of the Treaty between Member States and other countries are not to be affected by the Treaty. There are multilateral international conventions which require Member States to restrict international traffic in indecent or obscene articles. The Court held that Article 234 is intended to preserve rights and obligations *vis-à-vis* non-member countries and may not therefore be relied upon in relations between Member States in order to justify restrictions on trade within the Community.

2.4.23. In *Criminal proceedings against Motte*¹ the question was asked whether national provisions (Belgian in this case) which required authorization for the import of foodstuffs to which a colourant had been added, even where such foodstuffs were imported from another Member State in which they were lawfully marketed, were compatible with Articles 30 to 36 of the EEC Treaty.

The Court replied that such rules were compatible; in the present state of Community law, the provisions of the EEC Treaty did not preclude the application of such a procedure to imported goods. However, the national authorities were under an obligation to authorize the colouring of the foodstuff if, having regard to the eating habits prevailing in the importing Member State, it corresponded to a real need (which

might be technological, economic, organoleptic or psychological depending on the type of additive). In their appraisal of the general health risk which the colouring matter actually used might represent, the national authorities had to take into account the results of international scientific research, and in particular the work of the Community's Scientific Committee for Food.

Freedom of establishment

2.4.24. In Case 270/83 *Commission v France* the Court held that by failing to grant to the branches and agencies in France of insurance companies based in another Member State on the same terms as those enjoyed by insurance companies based in France the benefit of shareholders' tax credits in respect of dividends paid to such branches or agencies by French companies, France had failed to fulfil its obligations under Article 52 of the EEC Treaty.

This important judgment clarifies the scope of Article 52, and provides an incentive for the Commission to continue its work for the effective exercise of the freedom of establishment.

Free movement of persons and social policy

2.4.25. In *Pinna v Caisse d'Allocations Familiales de la Savoie*² the Court, replying to a request for a preliminary ruling submitted by the French Cour de Cassation, declared invalid Article 73(2) of Regulation No 1408/71 on social security for migrant workers,³ which makes special arrangements for family benefits for workers subject to French legislation.

Where a worker subject to French legislation has members of his family living in another Member State, he is entitled to the

¹ Judgment of 10.12.1985 in Case 247/84.

² Case 41/84; OJ C 39, 20.2.1986; Bull. EC 2-1986, point 2.1.79.

³ OJ L 149, 5.7.1971.

family benefits provided in the Member State in which they live. Where a worker's country of employment is a Member State other than France, he is entitled to the family benefits provided in the Member State in which he himself works in respect of members of his family living outside that country, as though they were living there (Article 73(1) of Regulation No 1408/71). The Court objected to this dual system because of the additional disparities it added to those already arising from the lack of harmonization of national legislation. The system laid down in Article 73(2) also left the way open to disguised discrimination on grounds of nationality: it was mainly migrant workers who were concerned by the problem of family members living outside France. The place of residence of members of the family was not a test which would ensure the equality of treatment required by Article 48 of the EEC Treaty, and could not be used in the coordination of national legislation provided for by Article 51 of the Treaty.

But the effects of this declaration of invalidity were confined to the period after 15 January 1986. There were imperative considerations of certainty as to the law which prevented any review of the sums received by way of family benefits in the past.

Equality between men and women

2.4.26. In three judgments delivered on the same day concerning the interpretation of Directive 76/207/EEC,¹ the Court replied to questions regarding the existence in certain Member States of retirement ages differing according to sex.

2.4.27. In *Roberts v Tate and Lyle Industries*² the Court confirmed that a contractual provision which laid down a single age for the dismissal of men and women under a mass redundancy involving the grant of an early retirement pension, whereas the normal retirement age was different for men and women, did not constitute discrimination on grounds of sex contrary to Community law.³

2.4.28. In *Marshall v Southampton and South West Hampshire Area Health Authority (Teaching)*⁴ the Court:

(i) confirmed the fundamental distinction between social security law and labour law by holding that while for purposes of pension entitlements the Member States could set retirement ages differing according to sex, this did not provide grounds for an employer to dismiss a woman who had reached the normal retirement age for women but who had not yet reached the age laid down for men;

(ii) ruled for the first time on the question whether an individual may invoke a Community directive against another individual before a national court (the 'horizontal effect' of a directive); the Court's answer is a clear no;

(iii) nevertheless held, for the first time, that Article 5(1) of Directive 76/207/EEC could be invoked by an individual against the State or, as in this case, an organ of the State (Article 5(1) requires Member States to prohibit any discrimination on grounds of sex with regard to working conditions, including the conditions governing dismissal).

2.4.29. In *Beets-Propser v F. van Lanschot Bankiers*⁵ the Court replied to a question put by the Hoge Raad of the Netherlands, asking whether Article 5(1) of Directive 76/207/EEC allowed the Member States the freedom to exclude from equal treatment an express or implied condition concerning the termination of the contract of employment on the ground of the age attained by the employee, where that condition related to the age at which the employee became entitled to a pension. The Court said it did not; the judgment thus ran parallel to that delivered on the same day in *Marshall* (→ point 2.4.28).

¹ OJ L 39, 14.2.1976.

² Case 151/84.

³ For a similar ruling in a related case see the Court's judgment in Case 19/81 *Burton v British Railways Board* (1982) ECR 555.

⁴ Case 152/84.

⁵ Case 262/84.

It may be pointed out that by contrast with the position in the United Kingdom, which was considered in *Roberts* (→ point 2.4.27) and *Marshall* (→ point 2.4.28), men's and women's retirement ages for pension purposes are identical under the Dutch national social security schemes. It is only in certain private schemes that retirement ages differ according to sex.

Competition

2.4.30. In Case 52/84 *Commission v Belgium* the Court held that by not complying within the prescribed period with Commission Decision 83/130/EEC¹ on aid granted by the Belgian Government to a firm manufacturing ceramic sanitary ware Belgium had failed to fulfil its obligations under the Treaty.

In the Decision the Commission had held that a shareholding of BFR 475 million acquired by a public holding company in the firm constituted State aid incompatible with the common market within the meaning of Article 92 of the EEC Treaty and consequently had to be abolished. As Belgium had taken no measures to comply with the Decision within the time allowed, the Commission had referred the matter to the Court pursuant to the second subparagraph of Article 93(2) of the Treaty.

In the course of the proceedings the Belgian Government pleaded the absolute impossibility of implementing the Decision, firstly because it was insufficiently precise, and secondly because to execute it would involve the liquidation of the company. The Decision required the abolition of the aid, not the abolition of the firm.

In its judgment the Court confirmed its previous rulings to the effect that the validity of a decision could not be challenged after the period prescribed in the third paragraph of Article 173 of the Treaty had expired. The only defence still open was that of absolute impossibility. The Decision was sufficiently precise to be implemented. The fact that owing to the firm's financial situation the Belgian authorities could not

recover the sum paid did not mean that it was impossible to implement the Decision; the Commission's objective was to abolish the aid, and that objective, as the Belgian Government admitted, could be attained through the liquidation of the company, which the Belgian authorities could bring about in their capacity as shareholders or creditors.

2.4.31. In *Pronuptia v Schillgalis*² the Court delivered a preliminary ruling in which for the first time it applied Article 85 of the EEC Treaty to franchise agreements.

The Court held first of all that the compatibility with Article 85(1) of franchise agreements for the distribution of goods depended on the provisions contained therein and on their economic context.

Provisions which were strictly necessary in order to ensure that the know-how and assistance provided by the franchisor did not benefit competitors did not constitute restrictions of competition for the purpose of Article 85(1); nor did provisions which established the control strictly necessary for maintaining the identity and reputation of the network identified by the common name or symbol.

But provisions which shared markets between the franchisor and the franchisee or between franchisees did constitute restrictions of competition liable to affect trade between Member States. There was such market sharing where the franchisee was prohibited from opening a second shop while the franchisor undertook to ensure that the franchisee had the exclusive use of his business name or symbol in a given territory.

2.4.32. In *Windsurfing International v Commission*³ the Court partially annulled a Commission Decision⁴ which found that a number of clauses in licensing agreements

¹ OJ L 91, 9.4.1983.

² Case 161/84 *Pronuptia de Paris v Pronuptia de Paris Irmgard Schillgalis*; see also Bull. EC 1-1986, point 2.1.48.

³ Case 193/83.

⁴ OJ L 229, 20.8.1983.

concluded between Windsurfing International and its licensees in Europe were unlawful, and imposed a fine on the company. The case gave the Court occasion to clarify the application of Article 85 of the EEC Treaty to patent licensing agreements.

The following obligations on licensees constituted restrictions of competition incompatible with Article 85:

- (i) an obligation to use the licensed invention (here a rig for a sailboard) only for the manufacture of certain product models (sailboards) approved by the licensor in each case;
- (ii) an obligation to offer for sale the products covered by the licence (rigs) only together with the approved models (of board);
- (iii) an obligation to affix a notice referring to the licence on that part of the product marketed which was not covered by the patent (the board);
- (iv) an obligation to recognize as valid trade marks certain marks which the licensor claimed for himself or others;
- (v) an obligation to manufacture the licensed product only in the area in which patent protection was available (and in particular not to manufacture it in common market countries where the patent was not protected);
- (vi) an obligation not to challenge the licensed patent.

The fact that royalties on the rig were calculated on the net selling price of the complete sailboard did not constitute a restriction of competition if the royalty was no higher than that which would have been calculated on the selling price of the rig. But a royalty calculated on the price of the separate board (which was not protected) did restrict competition.

For Article 85(1) to apply it was not necessary that each individual clause in an agreement should be capable of affecting intra-Community trade. Only if the agreement as a whole was capable of affecting trade was it necessary to examine which clauses of the

agreement had as their object or effect a restriction or distortion of competition.

Taxation

2.4.33. In *Commission v Denmark*¹ and *John Walker v Ministeriet for Skatter og Afgifter*² the Court confirmed its previous findings on the taxation of alcoholic drink by holding that by taxing wine made from grapes at a higher rate than wine made from other fruit Denmark had failed to fulfil its obligations under Article 95 of the EEC Treaty.

Answering questions put to it concerning the competitive relationship between products such as Scotch whisky and fruit wines of the liqueur type, the Court held that the two categories could not be regarded as similar products. The second paragraph of Article 95 of the EEC Treaty did not preclude the application of a system of differential taxation in respect of certain beverages on the basis of objective criteria.

2.4.34. In *Trans Tirreno Express v Ufficio Provinciale IVA*³ the Court had before it a question concerning the application of the principle of territoriality where VAT is to be collected on a sea transport service over a route running from one point to another in the same Member State but crossing a stretch of international waters; it held that a Member State could subject such a transport service to VAT provided that it did not encroach on the tax jurisdiction of other States.

Common agricultural policy

2.4.35. In *Eridania v Cassa Conguaglio Zuccheri*⁴ the Court reaffirmed the validity of the quota system in the common organization of the market in sugar. Certain Italian undertakings considered that the system was discriminatory, and thus contrary to Article 40(3) of the Treaty. Italian inter-

¹ Case 106/84.

² Case 243/84.

³ Case 283/84.

⁴ Case 250/84.

nal consumption of sugar is higher than the amount of that Member State's A quota. It follows that exports of sugar from Italy are made from the B quota, on which there is a much higher rate of levy than on A sugar. The undertakings complained that they were discriminated against as compared with producers in other Member States where internal consumption was lower than the amount of the A quota, thus allowing exports of A quota sugar. The Court held that the system of levies and quotas was valid in the overall context of the sugar market; it emphasized that market organizations had to be seen as a whole. It was not possible to accept those parts which were advantageous and reject those which were not.

2.4.36. In *Meggle Milchindustrie v Council and Commission*¹ the Court dismissed an action for damages brought by a German producer of casein and caseinates against the Council and the Commission on the grounds that they had failed to introduce monetary compensatory amounts or differential amounts for the two products. It thus confirmed the policy followed by the Commission regarding the establishment of monetary compensatory amounts for non-Annex II goods whose price depended on those of agricultural products. In this case the German producer claimed it was discriminated against because of the higher price of milk in Germany, expressed in national currency, as compared in particular with the price level applying in France.

External relations

2.4.37. In *Bulk Oil v Sun International*² the Court had to consider the compatibility with Community law of the United Kingdom policy of restricting exports of oil to Israel (by means which were not legally binding).

The first of the questions put, as the Court considered them, was whether the EEC-Israel Agreement prohibited Member States of the Community from adopting policies imposing new quantitative restrictions or

measures having equivalent effect on exports to Israel.

The Court first of all confirmed that even where measures adopted by the Government of a Member State did not have binding effect they could be capable of influencing the conduct of undertakings in that State and thus of frustrating the aims of the Community.³ However, while the Agreement prohibited quantitative restrictions on imports and measures having equivalent effect, with regard to exports it simply prohibited new customs duties. There was no express prohibition on quantitative restrictions on exports, and the Court, citing its judgment in the *Bouhelier* case,⁴ said that no such prohibition could be inferred from any provision of the Agreement.

The second question was whether Council Regulation No 2603/69 establishing common rules for exports⁵ permitted the United Kingdom to adopt the policy. Article 1 provided that exports to non-Community countries were not to be subject to any quantitative restriction, except in accordance with the Regulation. Article 10 stated that until the Council adopted common rules for the products listed in the Annex, the principle of freedom of export in Article 1 was not to apply to those products. The products in the Annex included oil.

The Court confirmed its previous case law⁶ that there could be no national competence in the field of commercial policy, and that national measures were permissible only by virtue of specific authorization by the Community. Article 10 of Regulation No 2603/69 constituted such authorization, but the Court implied that the Council's power to give such authorizations was a limited one: 'Having regard to the discretion which it enjoys in an economic matter of such com-

¹ Case 244/83.

² Case 174/84.

³ See also Case 249/81 *Commission v Ireland* [1982] ECR 4005.

⁴ Case 225/78 [1979] ECR 3151.

⁵ OJ L 324, 27.12.1969.

⁶ Case 41/76 *Donckerwolke v Procureur de la République* [1976] ECR 1921.

plexity, in this case the Council could, without contravening Article 113, provisionally exclude a product such as oil from the common rules on exports to non-member countries, in view in particular of the international commitments entered into by certain Member States and taking into account the particular characteristics of that product, which is of vital importance for the economy of a State and for the functioning of its institutions and public services.’

General

2.4.38. In *Wünsche v Germany*¹ questions were put by the Frankfurt Verwaltungsgericht about the compatibility of the Court of Justice’s earlier ruling in the same proceedings² with a number of superior

principles of Community law, in particular the right of the parties to be heard in court and the right to a full investigation of the relevant facts. The Court decided that it had no jurisdiction under Article 177 of the EEC Treaty to reply to questions concerning the validity of its own judgments. Although it was possible for a national court to submit new questions or new facts to the Court of Justice in the same proceeding as that which had already given rise to an earlier preliminary ruling, the national court could not, without submitting any new element, ask questions which simply threw doubt on the validity and applicability of a ruling of the Court of Justice on an earlier occasion in the same proceeding.

¹ Case 69/85.

² Case 345/82 [1984] ECR 1995.

2.4.39. New cases

Case	Subject	Basis
ECSC—Steel		
95/86 Ferriere San Carlo v Commission	Determination of the rate of interest applicable to a fine made payable in ECUs; repayment of the overpayment made by the applicant to the Commission by virtue of the difference between the ECU market rate of interest of 9 to 10% and the rate of 20% charged by the Commission	Article 35 ECSC
100/86 Cauët and Joliot acting as liquidators of Cockerill-DRC v Commission	Annulment of the individual Commission Decision of 10 March 1986 by which the Commission decided to annul its Decision of 13 January 1986 and to allocate Cockerill-DRC’s category VI reference production and quantities to Sacilor, the ‘current proprietor’ of Cockerill-DRC’s plant	Article 33 ECSC
Free movement of goods		
406/85 Ministère Public v Gofette and Gilliard	Do Articles 30 <i>et seq.</i> of the EEC Treaty prohibit a system imposing for vehicles imported from another Member State and in free circulation in that State an approval procedure—known as ‘individual approval’—whereby the vehicle must be submitted for testing unless a certificate is produced either from the manufacturer or from an authorized agent in the territory of importation?	Article 177 EEC

Case	Subject	Basis
<p>90/86 Criminal proceedings against Zoni</p> <p>Customs union</p>	<p>Is an obligation laid down by the law of a Member State to use exclusively durum wheat in the manufacture of dried pasta intended to be marketed in the territory of that Member State compatible with Articles 30 and 36 EEC?</p>	<p>Article 177 EEC</p>
<p>92/86 B&S Chemie Handel v Commission</p> <p>Internal market and approximation of laws</p>	<p>Annulment of the Commission Decision of 25 October 1985, addressed to the Federal Republic of Germany, and requiring the post-clearance recovery of customs duties in a particular case</p>	<p>Article 173 EEC</p>
<p>80/86 Officier van Justitie v Kollpinghuis Nijmegen</p> <p>Rights of firms: public contracts</p>	<p>Direct effect of Council Directive 80/777/EEC on natural mineral waters. Obligations imposed on individuals by the Directive before it is transposed into national law</p>	<p>Article 177 EEC</p>
<p>27/86 Constructions et Entreprises Industrielles (CEI) v Fonds des Routes, represented by the Minister for Public Works; 28/86 Ing. A. Bellini v Régie des Bâtiments, represented by the Minister for Public Works, and Confédération Nationale de la Construction; and 29/86 Ing. A. Bellini v Belgian State, represented by the Minister for Defence</p> <p>Competition</p>	<p>Interpretation of Article 25 and Article 26(d) of Council Directive 71/305/EEC concerning the coordination of procedures for the award of public works contracts, with regard to the financial, economic and technical standing of contractors</p>	<p>Article 177 EEC</p>
<p>65/86 Bayer and Maschinenfabrik Hennecke v Süllhöfer</p>	<p>Is it compatible with Article 30 <i>et seq.</i> and Article 85 of the EEC Treaty to include a contractual stipulation in a licensing agreement by which the licensee undertakes not to challenge the validity of technical rights granted to the licensor in several Member States of the European Community?</p>	<p>Article 177 EEC</p>
<p>66/86 Ahmed Saeed Flugreisen and Silver Line Reisebüro v Zentrale zur Bekämpfung Unlauteren Wettbewerbs</p>	<p>Compatibility with Articles 85 and 86 of the EEC Treaty of bilateral or multilateral agreements regarding tariffs for scheduled flights carried on by airlines with their registered offices in a Member State of the European Community</p>	<p>Article 177 EEC</p>

Case	Subject	Basis
Social security 83/86 Laborero v Office de Sécurité Sociale d'Outre-Mer (OSSOM)	Compatibility with Community law (ban on discrimination on grounds of nationality) of Section 51 of the Belgian Act of 17 July 1963, under which the plaintiff, a Community citizen resident in Belgium and receiving a pension under the employed persons' scheme, has been refused a cost-of-living adjustment of that part of his pension corresponding to his continued employment (1960-68) in Zaire after independence by a firm having its registered offices in Belgium	Article 177 EEC
93/86 Severini v Caisse Primaire Centrale d'Assurance Maladie (CPCAM) des Bouches-du-Rhône	Does the supplementary 'solidarity' allowance, which is financed from taxation and paid irrespective of the beneficiary's occupation, fall within the scope of Regulation No 1408/71?	Article 177 EEC
Agriculture		
47/86 Roquette Frères v Office National Interprofessionnel des Céréales (ONIC)	Interpretation of Commission Regulations No 1570/78 and No 1729/78 regarding the method of calculating production refunds for starch products and the lodging of securities for the processing of the basic product with a view to collection of the refund	Article 177 EEC
77/86 The Queen v HM Customs & Excise, <i>ex parte</i> : The National Dried Fruit Trade Association	Validity of Commission Regulation No 2742/82, Council Regulation No 2089/85, and Commission Regulations No 2237/85 and No 2238/85, which require payment of a countervailing charge where a minimum import price is not respected	Article 177 EEC
89/86 L'Étoile Commerciale v Commission	Annulment of Commission Decision 85/456/EEC (clearance of EAGGF accounts for France, 1981) as regards the failure to pay the expenditure provided for in the Community rules for oilseeds, and application for damages	Article 173 and 215 EEC
91/86 Comptoir National Technique Agricole (CNTA) v Commission	Annulment of Commission Decision 85/456/EEC (clearance of EAGGF accounts for France, 1981) inasmuch as it disallowed expenditure in the oilseeds sector provided for by the Community rules, and application for damages	Articles 173 and 215 EEC
94/86 Maizena and Others v HZA Hamburg-Jonas	Effects of advance fixing of an export refund as regards the deduction of production refunds for maize-based processed products	Article 177 EEC
97/86 Asteris and Others v Commission	Annulment of Commission Regulation No 381/86 on additional payment of production aid for certain sizes of packings with tomato concentrates obtained from Greek tomatoes during the 1983/84 marketing year	Article 173 EEC

Case	Subject	Basis
98/86 Greece v Commission	Annulment of Commission Regulation No 381/86 on additional payment of production aid for certain sizes of packings with tomato concentrates obtained from Greek tomatoes during the 1983/84 marketing year	Article 173 EEC
Transport		
79/86 Hamilton, Procurator Fiscal v Whitelock	Interpretation of Article 4(9) of Council Regulation No 543/69 as regards the exemption from the obligation to fit recording equipment on a breakdown vehicle	Article 177 EEC
88/86 Bovo Tours and Van Nood Touringcars v Minister van Verkeer en Waterstaat and Commissie Vervoervergunningen	Interpretation of Article 8(1) ('existing passenger transport services'), Article 13(1) ('by agreement between the Member States') and Article 16(2) (objections) of Council Regulation No 517/72	Article 177 EEC
Infringements		
96/86 Commission v Belgium	Grant of minimum means of subsistence: discriminatory conditions applied to non-Belgian nationals falling within the scope of Council Regulation No 1612/68, who are resident in Belgium, as compared with the conditions applied to Belgian nationals	Article 169 EEC

Disputes between the Community and its staff

101/86 Mogensen v Commission

2.4.40. Judgments

Date and case	Held
ECSC — Steel	
9.4.1986: 48/86R Cauët and Joliot, acting as liquidators of the assets of Cockerill-DRC v Commission	Application dismissed (application for an order suspending the implementation of the individual Commission Decision of 13 January 1986, replaced by a Decision of 10 March 1986, authorizing the transfer to Sacilor of the annual reference production and quantities of Cockerill-DRC, and <i>a fortiori</i> the refusal to transfer them to Cockerill-Sambre)
22.4.1986: 351/85R Fabrique de Fer de Charleroi v Commission	Application dismissed (application for the suspension of the operation of Commission Decision No 2760/85, as confirmed by Article 14C of Commission Decision No 3485/85)

Date and case	Held
22.4.1986: 360/85R Dillinger Hüttenwerke v Commission	Application dismissed (application for the suspension of the operation of Commission Decision No 2760/85, as confirmed by Article 14C of Commission Decision No 3485/85)
23.4.1986: 204/84 Sideradria v Commission	Application dismissed (annulment of the Commission Decision of 3 July 1984 fixing that part of the applicant company's production quota which it may deliver during the third quarter of 1984)
Competition	
30.4.1986: 209 to 213/84 Ministère Public v Asjes and Others	It is contrary to the obligations of the Member States under Article 5 of the EEC Treaty, in conjunction with Article 3(f) and Article 85, in particular paragraph 1, of the EEC Treaty, to approve air tariffs and thus to reinforce the effects thereof, where, in the absence of any rules adopted by the Council in pursuance of Article 87, it has been found in accordance with the forms and procedures laid down in Article 88 or Article 89(2) that those tariffs are the result of an agreement, a decision by an association of undertakings or a concerted practice contrary to Article 85
State aids	
30.4.1986: 57/86 Greece v Commission	Application dismissed (application for the suspension of the operation of the Commission Decision of 13 November 1985 addressed to Greece, in the context of the economic situation in that Member State)
Social security	
23.4.1986: 153/84 Ferraioli v Deutsche Bundespost	<p>1. There is no suspension of the entitlement to family allowances payable in pursuance of Article 73 of Regulation No 1408/71 in the country of employment of one of the parents when the other parent resides with the children in another Member State and pursues there a professional or trade activity but does not receive family allowances for the children on the ground that not all the conditions laid down by the legislation of that Member State for the receipt of such allowances are satisfied</p> <p>2. Article 76 of Regulation (EEC) No 1408/71 must be interpreted as meaning that entitlement to family allowances due to one of the parents in the Member State of employment under Article 73 of the said Regulation is suspended only up to the amount of allowances of the same kind actually paid in the Member State in whose territory the members of the family reside. Where the amount of family allowances actually paid in the Member State of residence is less than the</p>

Date and case	Held
<p>Free movement of workers 17.4.1986: 59/85 Netherlands v Reed</p>	<p>allowances provided for by the legislation of the other Member State, the worker is entitled to claim from the competent institution of the latter Member State additional allowances equal to the difference between the two amounts</p> <p>1. Article 10(1) of Regulation No 1612/68 cannot be interpreted as meaning that the companion, in a stable relationship, of a worker who is a national of a Member State and is employed in the territory of another Member State must in certain circumstances be treated as his 'spouse' for the purposes of that provision</p> <p>2. Article 7 of the Treaty, in conjunction with Article 48 of the Treaty and Article 7(2) of Regulation No 1612/68, must be interpreted as meaning that a Member State which permits the unmarried companions of its nationals, who are not themselves nationals of that Member State, to reside in its territory cannot refuse to grant the same advantage to migrant workers who are nationals of other Member States</p>
<p>Agriculture 17.4.1986: 133/84 UK v Commission</p>	<p>1. Commission Decisions 84/212/EEC and 84/213/EEC are void, in so far as the Commission refused to charge to the EAGGF, as expenditure incurred in financing certain sales of skimmed-milk powder at reduced prices, the sum of UKL 1 662 for the 1978 financial year and the sum of UKL 71 946.92 for the 1979 financial year and, as regards sales of butter, the sum of UKL 586 571.56 for the 1979 financial year</p> <p>2. For the rest, the application is dismissed</p>
<p>Commercial policy 19.3.1986: 334/85 and 335/85 Hoesch v Council</p>	<p>Ordered removed from the Court Register (annulment of Council Regulation No 2355/85 supplementing Regulation No 60/85 relating to the restriction of exports of steel pipes and tubes to the United States of America)</p>
<p>Free movement of capital 5.3.1986: 318/85 Proceedings against R. Greis Unterweger</p>	<p>The Court has no jurisdiction to take cognizance of the request for a preliminary ruling submitted by the Commissione Consultativa per le Infrazioni Valutarie (interpretation of provisions of Community law applicable to currency control)</p>
<p>Budget 23.4.1986: 294/83 Parti Ecologiste 'Les Verts' v Parliament</p>	<p>The Direction of the Bureau of the European Parliament of 12 October 1982 allocating the appropriations entered in Item 3708 of the General Budget of the European Communities and</p>

Date and case	Held
	<p>the Rules adopted by the enlarged Bureau on 29 October 1983 governing the use of the appropriations for reimbursement of the expenditure incurred by the political groupings having taken part in the 1984 elections are void</p>
<p>Infringements</p>	
<p>15.4.1986: 237/84 Commission v Belgium</p>	<p>By failing to adopt within the prescribed period all the measures necessary to comply fully with Article 4(1) of Council Directive 77/187/EEC on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of businesses, Belgium has failed to fulfil its obligations under the EEC Treaty</p>
<p>30.4.1986: 96/85 Commission v France</p>	<p>By requiring doctors and dental practitioners established in another Member State to cancel their enrolment or registration in that other State in order to be able to practise their profession in France as an employee, as a principal in a practice or as a locum, France has failed to fulfil its obligations under Articles 48, 52 and 59 of the Treaty</p>
<p>30.4.1986: 158/85 Commission v Italy</p>	<p>By failing to adopt within the prescribed periods the measures provided for by Council Directive 81/177/EEC on the harmonization of procedures for the export of Community goods and Commission Directive 82/347/EEC laying down certain provisions for implementing Council Directive 81/177/EEC, Italy has failed to fulfil its obligations under the EEC Treaty</p>
<p>19.3.1986: 368/85 Commission v France</p>	<p>Ordered removed from the Court Register (Commission Directive 82/331/EEC amending Council Directive 68/193/EEC on the marketing of material for the vegetative propagation of the vine)</p>
<p>19.3.1986: 369/85 Commission v Luxembourg</p>	<p>Ordered removed from the Court Register (Commission Directive 82/287/EEC on the marketing of seed)</p>
<p>19.3.1986: 418/85 Commission v Luxembourg</p>	<p>Ordered removed from the Court Register (Commission Directives 81/957/EEC and 82/232/EEC on dangerous substances)</p>

Economic and Social Committee

236th plenary session

2.4.41. The Economic and Social Committee held its 236th plenary session on 23 and 24 April with Mr Muhr in the chair. It adopted opinions on Commission proposals and communications on the internal market, social policy, competition, the environment and agriculture.

Common technical specifications of the MAC/packet family of standards for direct satellite television broadcasting¹

2.4.42. On 23 April the Economic and Social Committee unanimously adopted an opinion on the proposal for a Council Directive on the adoption of common technical specifications of the MAC/packet family of standards for direct satellite television broadcasting.² The Committee felt that MAC systems would make a major contribution to European cooperation and would enable the countries of Europe to become better acquainted with each other's culture and social and political systems.

Legal protection of original topographies of semiconductor products

2.4.43. On the same date the Committee also adopted unanimously an opinion on a proposal for a Council Directive on the legal protection of original topographies of semiconductor products.³ It welcomed the Commission's initiative unreservedly and recognized the importance of the semiconductor industry. It felt that the introduction of legal protection was necessary and stressed the need to adopt a harmonized approach as far as possible in all the Member States. The Commission proposal was also intended to guarantee the protection in the United States of topographies originating in the Community. The Committee accepted that differences between terminology and procedures in the United States

and the Community could continue to exist, provided that the reciprocal arrangements between the two parties were guaranteed. The Committee consequently requested that the Directive should be adopted by the Council without delay — no later than June in any case. It also called on the Commission to take all necessary steps to ensure maximum prolongation of interim protection in the United States. The Member States should nevertheless complete the introduction of the necessary legislative measures to implement the Directive as soon as possible — by 1 October 1987 at the latest.

Classification, packaging and labelling of dangerous preparations

2.4.44. The Committee adopted *nem. con.*, with one abstention, an opinion on the proposal for a Council Directive on the approximation of the laws, regulations and administrative provisions of the Member States relating to the classification, packaging and labelling of dangerous preparations.⁴ The Committee recognized the need to harmonize the classification, packaging and labelling of all dangerous preparations placed on the Community market as part of the measures to eliminate non-tariff barriers to trade. It pointed out that a general directive was justified on the grounds of harmonization and unification already mentioned, and stressed the need to lay down time limits and appropriate implementing procedures for adapting existing rules to the unified system. It declared that it was vital to ensure that changes in existing standards did not lead to a reduction in the level of information and safety already achieved for workers and consumers.

¹ MAC: multiplexed analogue components.

² OJ C 59, 14.3.1986; Bull. EC 1-1986, point 2.1.37.

³ Bull. EC 12-1985, point 2.1.25.

⁴ OJ C 211, 22.8.1985; Bull. EC 7/8-1985, points 2.1.16 and 2.1.126.

Public supply contracts conclusions and perspectives

2.2.45. On 23 April the Committee adopted *nem. con.*, with three abstentions, an opinion on the Commission communication to the Council 'Public supply contracts — Conclusions and perspectives'.¹ While it agreed with the Commission's analysis of the reasons for the lack of progress in the field of public contracts, the Committee considered that inadequate communications also contribute to the problem. The Committee felt that not enough has been done at Community level to help all those involved at local and national level understand the spirit and the letter of the relevant Directives² and the long-term advantages of their implementation for all parties. It welcomed the Commission's intention of improving the transparency of non-competitive contracts and regarded obligatory notification of the awarding of contracts as an important step in the right direction. It felt, however, that the Commission should step up its efforts by providing uniform guidelines for the interpretation and practical application of the Directives² and setting up an appeals system. The Committee also proposed the creation under the Commission's auspices of an adequately financed working party on public contracts. Finally, it was in favour of extending the Directive to cover all public contracts, including those in the telecommunications, transport, energy and water supply sectors.

Employment of disabled people in the Community

2.4.46. On 23 April the Economic and Social Committee adopted unanimously an opinion on the draft Council recommendation on the employment of disabled people in the European Community.³

It noted that social progress, which could only be achieved with the willing support of individuals, depended on the humanization of systems and societies. It pointed out that any solution to the problem of the

employment of disabled people would be based on a better understanding, particularly in statistical terms, of the nature and scale of the problem. The Committee therefore asked the Commission to encourage research in this area, modelling itself on the work carried out in some Member States by local authorities.

The will to promote the integration of disabled people is very much part of social, economic and cultural policy, as the Committee had already stated in its 1981 opinion on the handicapped.⁴ It asked the Commission to make an inventory of the measures taken by Member States to improve the social and professional integration of disabled people and to extend this action by preparing a directive.

Erasmus: Community Action Scheme for the Mobility of University Students

2.4.47. The Committee also adopted unanimously an opinion on the proposal for a Council Decision adopting the European Community Action Scheme for the Mobility of University Students (Erasmus).⁵ It welcomed the aim of the proposal, which was to promote a better understanding of economic and social structures among future generations. This marked an important step towards a general European exchange programme for young people.

However, the Committee acknowledged the existence of serious obstacles to increased mobility of students, including financial and linguistic problems as well as the question of the recognition of qualifications. It therefore welcomed the Commission's evident resolve in trying to find, by means of the proposed text, ways of meeting the need for mobility; the Commission was right to lay emphasis on the participation of teaching staff and encouragement for student exchange programmes.

¹ Bull. EC 12-1984, point 2.1.22.

² OJ L 13, 15.1.1977; OJ L 215, 18.8.1980.

³ Bull. EC 1-1986, point 2.1.66.

⁴ OJ C 230, 10.9.1981.

⁵ OJ C 73, 2.4.1986; Bull. EC 1-1986, point 2.1.63.

It was intended that the Erasmus programme should increase the number of students spending a period of study in another Member State of the Community from the present level of 3 000 to 150 000 by 1992.

The Committee acknowledged the flexibility of the proposed text in guaranteeing freedom of operation on the institutional level, allowing scope for innovation and encouraging the creation of a European network of establishments working in close cooperation as part of twinning arrangements or consortiums. The Committee thought that this was an effective programme allocating most of the available funds to non-administrative activities and making use of existing administrative mechanisms in the Member States.

Protection of workers against the risks associated with exposure to benzene at work

2.4.48. On 23 April the Economic and Social Committee adopted by nine votes to two, with 21 abstentions, a proposal for a Council Directive on the protection of workers against the risks associated with exposure to benzene at work.¹

While it regretted the failure to adopt a general approach to the benzene question and the slowness and shortcomings of action at Community level, the Committee welcomed the efforts made by the Commission to improve protection of workers from workplace hazards and urged the Commission to press ahead with implementation of the specific measures laid down in the framework Directive of 27 November 1980² and in the second European Communities' action programme on health and safety at the workplace.³

Medium-term Community programme on equal opportunities for women (1986-90)

2.4.49. On 24 April the Committee adopted unanimously an opinion on the medium-term Community programme to

promote equal opportunities for women (1986-90).⁴

The Committee welcomed the new action programme and the proposals put forward both in the programme itself and in the accompanying resolution. The Committee noted, however, that the Council, having adopted various non-binding policy statements following the 1982-85 action programme,⁵ had blocked the proposals for Directives for the implementation of such policies.⁶ It called on the Commission to draw up a timetable and set deadlines for the adoption by the Council of the proposed measures. The Commission proposal for moves towards reversing the burden of proof in cases involving the principle of equal opportunities merited approval.

The ultimate aim, where employment was concerned, was to give women the same rights and the same access to employment as men and to guarantee them equal opportunities for promotion and equal pay and working conditions for equal work. The Committee recommended that positive action be taken, with the support of management and workers, to lay down detailed objectives regarding equal opportunities for women, particularly in the fields of training, recruitment and career prospects. Consequently, although legislative measures were necessary, they were not enough on their own.

Guidelines for a Community policy in shipbuilding

2.4.50. On 23 April the Economic and Social Committee adopted by a large majority a supplementary opinion on guidelines for a Community policy in the shipbuilding industry.⁷

¹ OJ C 349, 31.12.1985; Bull. EC 11-1985, point 2.1.88.

² OJ L 327, 3.12.1980.

³ OJ C 67, 8.3.1984.

⁴ OJ C 356, 31.12.1985; Bull. EC 12-1985, point 2.1.106; supplement 3 1986 — Bull. EC.

⁵ OJ C 178, 15.7.1982.

⁶ OJ C 35, 9.2.1984; OJ C 206, 6.8.1984; OJ C 343, 24.12.1984.

⁷ Bull. EC 9-984, point 2.4.20.

It pointed out that, more than ten years after the onset of the shipbuilding crisis, the situation was giving rise to anxiety about the industry's future and the effectiveness of policies pursued to date in an attempt to halt the decline. The Commission should therefore determine a minimum level of capacity for the industry. Once this capacity had been identified, the Member States (via agreements, possibly along the lines of the steel industry market quota arrangements) should join with the Community in framing a clear-cut policy to safeguard shipbuilding.

Procedure for the exchange of information on the quality of surface fresh water in the Community

2.4.51. On 23 April the Committee unanimously adopted an opinion on the proposal for a Council Decision amending the Decision establishing a common procedure for the exchange of information on the quality of surface fresh water in the Community.¹ It felt that the proposed changes would simplify and improve current procedures.

Health problems affecting intra-Community trade in meat products

2.4.52. On 24 April the Committee adopted *nem. con.*, with seven abstentions, an opinion on the proposal for a Council Directive amending the Directive on health problems affecting intra-Community trade in meat products.² The Committee welcomed the Commission proposal, which was likely to facilitate intra-Community trade and improve consumer protection in the Community.

European Investment Bank

Operations in April

2.4.53. In April the European Investment Bank announced loans for investment within the Community totalling 193.4

million ECU³—181 million in Italy and 12.4 million in the United Kingdom. Outside the Community the Bank lent 42.5 million ECU under the financial protocol with Tunisia.

Community

Italy

2.4.54. In Italy the EIB granted LIT 270 000 million, mainly for industrial investment, but also for improvement of infrastructures and the protection of the environment. In accordance with the Bank's main objective, a large share of the investment projects financed were located in the Mezzogiorno, where they will contribute to regional development.

Of the LIT 230 000 million granted to industry, LIT 150 000 million is for investment to introduce advanced technologies and thus contribute to improving the competitiveness of European firms: LIT 128 000 million will go to the expansion of a factory producing professional personal computers at Scarmagno, in the province of Turin; LIT 12 000 million to the restructuring of a factory producing electronic cash registers in Latium and LIT 10 000 million to the establishment of a high-performance fluorochemical production capacity in a plant in Alessandria province, Piedmont. A further LIT 20 000 million was granted for the rationalization and modernization of glass manufacturing facilities in Vicenza province, and LIT 15 000 million for the modernization and expansion of a paper mill in Trento province. In addition, LIT 45 000 million was granted in the form of global loans (lines of credit) for smaller-scale investments in the mezzogiorno: LIT 30 000 million to IMI (Istituto Mobiliare Italiano) for leasing operations and LIT 15 000

¹ OJ C 321, 19.12.1985; Bull. EC 11—1985, point 2.1.111.

² OJ C 349, 31.12.1985; Bull. EC 12—1985, point 2.1.174.

³ The conversion rates at 27 March used by the EIB in statistics for the second quarter were: 1 ECU = BFR 44.47, DKR 8.02, DM 2.17, DR 134.59, ESC 140.98, FR 6.68, HFL 2.45, IRL 0.72, LFR 44.47, LIT 1 477, PTA 136.39, UKL 0.63, USD 0.94.

million to BNL/SACAT (Banca Nazionale del Lavoro/Sezione Autonoma per l'Esercizio del Credito Alberghiero Turistico) for projects in the hotel and tourist industries.

With regard to the improvement of infrastructures, LIT 10 000 million was granted for the development of the 'Toscani' dock in the port of Livorno, Tuscany, to accommodate container and roll on/roll off vessels. Finally, LIT 30 000 million in the form of global loans (LIT 20 000 million for central and northern Italy and LIT 10 000 million for the Mezzogiorno) will be onlent by BNL to help finance small and medium-scale environmental protection projects. This is an innovation, as these global loans are the first to be granted by the EIB for this specific purpose; EIB and NCI global loans normally finance small businesses and, to a lesser extent, smaller infrastructures (mainly roads and ports), energy savings and advanced technologies.

United Kingdom

2.4.55. UKL 8 million was granted in the United Kingdom: UKL 5 million will finance infrastructure investments in Fife to enhance the economic development of a region facing high unemployment following the decline of its coalmining industry. The works being financed include improvements to the road network, a water-treatment plant, a water-supply main, a storm-water tank and sewage works. UKL 3 million was lent for the modernization of a wire enamelling plant on Merseyside; the project being financed is designed to increase the competitiveness of the products by assisting the purchase of new equipment and compu-

terized systems. The bulk of the plant's output is aimed at the UK market.

Outside the Community

2.4.56. In Tunisia the EIB lent 42.5 million ECU for agricultural development, under the second Financial Protocol between the EEC and Tunisia. The funds were advanced through the BNDA (Banque nationale de Développement Agricole) for schemes aimed at strengthening productivity, in line with one of the Government's priorities: to boost agricultural output and increase self-sufficiency.

A global loan of 20 million ECU will be onlent for small and medium-scale agricultural and agro-industrial projects. The finance comprises 14 million ECU from EIB own resources, with an interest-rate subsidy of 3% charged to the Community budget, and 6 million ECU on special conditions (40 years at 1%) from the Community's budgetary resources.

A sum of 20 million ECU, also with a 3% interest-rate subsidy, was lent to boost production of milk, meat and fruit for local consumption on five estates of the Office des Terres Domaniales (OTD), chiefly to improve on farm infrastructure and for the purchase of equipment and machines.

A further 2.5 million ECU, again with an interest-rate subsidy of 3%, went to the Société Laitière du Nord-Ouest (LAINO) for the construction of a dairy at Bou Salem, 130 km to the west of Tunis, in the country's main dairy-farming region. The dairy will have a processing capacity of 80 000 litres daily.



PART THREE
DOCUMENTATION

1. ECU

Values in national currencies of one ECU

30 April 1986 ¹	
Belgian franc and Luxembourg franc (convertible)	43.8860
Belgian franc and Luxembourg franc (financial)	44.1023
German mark	2.15005
Dutch guilder	2.42292
Pound sterling	0.636665
Danish krone	7.97087
French franc	6.85380
Italian lira	1 475.98
Irish pound	0.706923
Greek drachma	135.056
Spanish peseta	136.929
Portuguese escudo	143.812
United States dollar	0.983329
Swiss franc	1.80215
Swedish krona	6.92510
Norwegian krone	6.84151
Canadian dollar	1.35581
Austrian schilling	15.1334
Finnish mark	4.88125
Japanese yen	165.740
Australian dollar	1.32972
New Zealand dollar	1.68523

¹ OJ C 104, 2.5.1986

NB. Explanatory notes on the ECU and 'green' rates can be found in Bull. EC 7/8-1982, points 3.1.1 to 3.1.3, and Bull. EC 10-1984, point 3.1.1.

Representative rates ('green' rates)

Conversion rates into national currencies for the ECU used in connection with the common agricultural policy

April 1986	
National currency	Value in national currency of one ECU
Belgian franc and Luxembourg franc	46.4118
Danish krone	8.41499
German mark	2.39792 ¹ 2.41047 ² 2.38516 ³
Greek drachma	77.2479 ⁴ 102.345 ³
French franc	6.49211 ⁴ 7.10590 ⁵ 7.00089 ³
Irish pound	0.725690 ⁴ 0.750110 ³
Italian lira	1 341.00 ⁴ 1 482.00 ³
Dutch guilder	2.70178 ¹ 2.71620 ² 2.68749 ³
Pound sterling	0.618655
Spanish peseta	144.382 ⁶
Portuguese escudo	150.355 ⁷

¹ For cereals and durum wheat.

² For milk and milk products.

³ For other products.

⁴ For seeds.

⁵ For milk and milk products, pigmeat, wine, sheepmeat and goatmeat.

⁶ For all products other than fruit and vegetables.

⁷ For sheepmeat, sugar, seeds, olive oil, oilseeds, dried fodder, peas and field beans, lupins, processed fruit and vegetables other than oranges and lemons, and fisheries.

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 12-1985

Point 2.1.48

Amendment to the proposal for a Council Regulation laying down measures to discourage the release for free circulation of counterfeit goods
OJ C 356, 31.12.1985

Point 2.1.81

Proposal for a Council Directive on the coordination of laws, regulations and administrative provisions relating to the reorganization and the winding-up of credit institutions
OJ C 356, 31.12.1985

Point 2.1.106

Draft Council resolution on the adoption of a new Community medium-term programme to promote equal opportunities for women
OJ C 356, 31.12.1985

Bull. EC 1-1986

Point 2.1.57

Proposal for a Twenty-first Council Directive on the harmonization of the laws of the Member States relating to turnover taxes — Deferment of the introduction of the common system of value-added tax in the Hellenic Republic
OJ C 356, 31.12.1985

Point 2.1.81

Proposal for a Council Regulation instituting a Community programme for the development of certain less-favoured regions of the Community by

Bull. EC 4-1986

improving access to advanced telecommunications services (STAR programme)
OJ C 356, 31.12.1985

Point 2.1.82

Proposal for a Council Regulation (EEC) instituting a Community programme for the development of certain less-favoured regions of the Community by exploiting indigenous energy potential (Valoren programme)
OJ C 358, 31.12.1985

Point 2.1.104

Proposal for a Council Regulation (EEC) establishing a common measure for the acceleration of agricultural development in certain less-favoured areas of France where beef cattle are reared
OJ C 358, 31.12.1985

Point 2.1.117

Proposal for a Council Regulation laying down definitions of vessel characteristics and the way in which they shall be determined for fishing vessels
OJ C 356, 31.12.1985

Point 2.1.130

Proposal for a Council resolution on a Community orientation to develop new and renewable energy sources
OJ C 94, 22.4.1986

Point 2.2.31

Amended proposal for a Council Regulation (EEC) laying down implementing rules for Regulation (EEC) No 3331/82 on food-aid policy and food-aid management
OJ C 358, 31.12.1985

Points 2.4.27 to 2.4.31

Opinions adopted by the Economic and Social Committee during its session on 29 and 30 January
OJ C 75, 3.4.1986

Bull. EC 2-1986

Points 1.3.1 to 1.3.10

Commission proposals concerning the fixing of prices for agricultural products and certain related measures (1986/87)
OJ C 85, 14.4.1986

Point 2.1.73

Proposal for a Council Decision adopting an action programme for the promotion of youth exchanges in the Community — 'YES for Europe' — 1987-89

OJ C 72, 27.3.1986

Point 2.1.120

Commission Directive of 27 February 1986 limiting the marketing of seed of certain species of fodder plants and oil and fibre plants to seed which has been officially certified as 'basic seed' or 'certified seed'

Commission Decision of 27 February 1986 on the conditions under which derogations from the prohibition on the use of EEC labels for the purpose

of resealing and relabelling packages of seed produced in third countries

OJ L 93, 8.4.1986

Points 2.4.29 to 2.4.37

Opinions adopted by the Economic and Social Committee during its session on 25 and 26 February

OJ C 101, 28.4.1986

Bull. EC 3-1986

Point 2.1.114

Amended proposal for a Council Directive on consumer protection in respect of the indication of prices of non-food products

OJ C 103, 30.4.1986

3. Infringement procedures

Initiation of proceedings for failure to implement directives

3.3.1. In April the Commission sent letters of formal notice for failure to incorporate a directive into national law (the Commission not having been informed of national implementing measures) in the following case:

Environment, consumer protection and nuclear safety

Commission Directive of 25 April 1984¹ adapting to technical progress for the sixth time the Council Directive of 27 June 1967 on the approximation of laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances² (Ireland, Germany).

Initiation of proceedings for failure to comply with a judgment of the Court under Article 171 EEC

Agriculture

Restrictions on potato imports (Ireland).

Reasoned opinions

3.3.2. The Commission delivered reasoned opinions in the following cases:

Internal market and industrial affairs

Failure to inform the Commission of national measures to give effect to the Council Directive of 19 July 1982 laying down measures to facilitate the effective exercise of the right of establishment and freedom to provide services in hairdressing³ (France, Luxembourg).

Failure to inform the Commission of national measures to give effect to the Council Directive of 29 June 1982 on measures to facilitate the effective exercise of freedom of establishment and freedom to provide services in respect of activities of self-employed persons in certain services incidental to transport and travel agencies (ISIC Group 718) and

¹ OJ L 251, 19.9.1984.

² OJ 96, 16.8.1967.

³ OJ L 218, 27.7.1982.

in storage and warehousing (ISIC Group 720)¹ (Italy).

Failure to incorporate correctly into national law the Council Directive of 29 June 1982 on measures to facilitate the effective exercise of freedom of establishment and freedom to provide services in respect of activities of self-employed persons in certain services incidental to transport and travel agencies (ISIC Group 718) and in storage and warehousing (ISIC Group 720)¹ (Belgium).

Failure to inform the Commission of national measures to give effect to the Council Directive of 22 July 1980² amending the Council Directive of 4 June 1973 on the approximation of Member States' laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous preparations (solvents)³ (Belgium, Germany, Luxembourg, Netherlands).

Failure to inform the Commission of national measures to give effect to the Commission Direc-

tive of 10 June 1982¹ adapting to technical progress the Council Directive of 4 June 1973 on the approximation of Member States' laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous preparations (solvents)³ (Belgium, Germany, Luxembourg, Netherlands).

Environment, consumer protection and nuclear safety

Failure to inform the Commission of national measures to give effect to the Council Directive of 24 June 1982 on the major-accident hazards of certain industrial activities⁴ (Ireland).

Failure to inform the Commission of national measures to give effect to the Council Directive of 21 April 1983⁵ amending the Council Directive of 20 December 1979 on the limitation of noise emissions from subsonic aircraft⁶ (Germany).

¹ OJ L 213, 21.7.1982.

² OJ L 229, 30.8.1980.

³ OJ L 189, 11.7.1973.

⁴ OJ L 230, 5.8.1982.

⁵ OJ L 117, 4.5.1983.

⁶ OJ L 18, 24.1.1980.

